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A MONTHLY JOURNAL OF IDEAS ON LIBERTY

IRVINGTON-ON-HUDSON, N. Y. 10533 TEL.: (914) 591-7230

LEONARD E. READ *President,* Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit, educational champion of private property, the free market, the profit and loss system, and limited government.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount—$5.00 to $10,000—as the means of maintaining and extending the Foundation's work.

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THE FREEMAN is available on microfilm from Xerox University Microfilms, Ann Arbor, Michigan 48106.

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Liberty and Public Opinion

PERRY E. GRESHAM

THE PUBLIC PHILOSOPHY which characterized America during its most creative period had many diverse and varied sources and tributaries. When Thomas Jefferson presented to an assembly of his countrymen those memorable words: "We hold these truths to be self evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness," he was borrowing from John Locke. Jefferson had taken certain liberties, for Locke said—"Life, liberty, and property." This was somewhat more precise. "Property" is an essential and integral element of the American Dream, the concept and institution which allowed the dream to be formulated into a compelling capitalistic public philosophy. Individual liberty was tempered by inner moral responsibilities which inspired free men and women to swear allegiance to God and country, and then proceed to implement these oaths by sacrifice of "life, fortune, or sacred honor" if necessary. Both liberty and virtue undergirded the capitalistic public philosophy which characterized the flowering of America.

While the founding fathers and succeeding generations differed among themselves to the point of heat, fire, and occasional violence, an underlying common purpose gave a sense of direction and a vision of destiny which powered the Western expansion and developed a "Nation under God with liberty and Justice" for most everybody. This *Weltanschauung* derived from remote times and places. John Milton's *Areopagitica*

Dr. Gresham is President Emeritus and Chairman of the Board, Bethany College, Bethany, West Virginia.

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was basic to the right to publish; Adam Smith's *Wealth of Nations* contributed such fundamental ideas as the division of labor and the free market; John Locke and the French Encyclopedists contributed to the politics and government which issued therefrom; Mandeville's *The Grumbling Hive* was modified by the more cautious and systematic John Stuart Mill to form the concept of the free individual as the unit of society; John Calvin and the Puritans had witnessed to the Apostles and Prophets so eloquently that their echos were still heard in Boston, Richmond, and Philadelphia.

Life, Liberty, Property

The right to life meant more than mere survival; it implied that each person is manager of his own life and is, therefore, the slave of neither the state nor of any other person or collection thereof. As a unique and autonomous individual, each could realize his best self in proportion to his ability, his aspirations, and his diligence. The basic unit of society was an individual person who could feel joy and sorrow, wonder at the universe around him, think about the nature and destiny of man on this little planet, and freely participate in the government to which he gave his consent.

The right to liberty carried overtones of the Graeco-Roman concept of free men in contradistinction to bond men. The American free man was no slave of the state, the trade union, the association, nor of any man or group of men. That glorious free spirit was perfectly illustrated by a wise Texas pioneer named Ligon who said, "I am a member of the Democratic party, but I don't belong to it." Individual and private judgment is one of man's most cherished values – unless he has been beguiled into the faceless collectivist crowd.

Freedom to choose his own way of life and to exercise his own utility schedule were as much the right of each founding father as was his celebrated right to create a new form of government free from foreign domination. The Yankee did not tell the Virginian what he could buy, sell, or wear, and the Planter knew better than to attempt any thought control over the New Englander. Liberty meant freedom to initiate, acquire, sell, enter into contracts, and to exercise his right to freedom of speech, press, or assembly. He felt free to hire, fire, change jobs, leave the country, or grow a long and beautiful beard at will.

The right to property implied a free market. A free man could trade, work, manufacture, buy or sell at will as long as force or

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fraud was not involved. He could save some of his money to buy tools, land, hire help or build a plant and thereby extend the power of his productive capacities as well as those of his fellows. This opened the way to the miraculous division of labor whereby each in his own way could contribute toward the development of a vast network of communication and transportation which, in turn, made this nation possible. New cities developed – not blighted and fearful jungles, but beautiful cities wherein each did his own thing without recourse to the hatred and violence which now threaten each urban dweller and leave the lonely streets deserted because of fear.

Differences there were, and laws were necessary, but the common sense of decency and fair play obtained in sufficient strength to restrain the greed and aggressiveness of man. The strength of public approval for industry, honesty, frugality, and moral rectitude joined with the universal public disapproval of rapacity, lawlessness, violence, and misbehavior to save us from the gross evils which now threaten our very existence as a nation. Even the outlaws of the Old West soon yielded to that supreme control of human behavior called public opinion.

The concept of property became, with the benefit of its religious heritage, a doctrine of stewardship wherein the owner was really acting as a trustee for the Creator. The Vanderbilts, Carnegies, and Goulds felt responsible to man and God for the administration of wealth for the good of man. Charity was born, not of the Welfare State which destroys charity by reliance on coercion but of the thrust of obligation which derives from freedom and from a sense of property held in trust.

A National Interest

I have mentioned that the capitalist philosophy assumed certain common ends and purposes for the people of our nascent nation. The Constitution opens with the declaration of a free people seeking to establish justice, preserve freedom, provide for the common defense, insure domestic tranquility, and promote the general welfare. Honest, but differing, men contended valiantly over State's rights, public improvements, international involvements, and hard money, but the overarching loyalty to the country was never in question. Free men were free to be wrong as well as right; and the best interest of each citizen turned out to be the best interest of every citizen. In rare cases, public opinion, and, occasionally, the law in-

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tervened in such matters as the defense of the realm.

The prevailing public philosophy, however, was not without fault. From the standpoint of successful operation, history shows no more effective framework for progress, yet that very idea of progress marked the period with Utopian expectations that were beyond the realm of possible achievement. The perfectibility of man was assumed in the face of historical evidence to the contrary. Education was regarded as the touchstone that could transform stupidity into knowledge and ignorant immorality into informed virtue. Only in recent times have we faced up to the facts of human limitation and the illusion of progress in morality, intelligence, and art. The obvious progress in technology, together with our astonishing success in achieving affluence, misled our fathers into great expectations which history could only deny.

The Current Public Philosophy

We lack a coherent and workable public philosophy in America today. Such as we have can best be described as Interest-Group Interventionism. The individual has lost his identity to his interest group. We speak now of the minorities, the unions, the business and trade associations, the parties, the South, the intellectuals, the hard hats, the professions, but not of the individual people who are endowed with the rights to life, liberty, and property. This groupism has been internalized with the result that a person will vote against his own interest or his own judgment in order to belong to the group. The groups have learned the art of discipline, and such pejorative words as "Scab", "Uncle Tom", "Reactionary", or "Chauvinist" soon bring the errant member back into the interest group.

Those who defend Interest-Group Interventionism assume that countervailing group power will bring about an appropriate balance so that the public will be served even though each group is out for itself alone. Adam Smith saw what he called "an invisible hand" that caused good to redound to society while each individual sought his own ends. This appeared to work as long as there was an overarching public philosophy which enabled the free market to perform its miraculous function. To posit, however, "an invisible hand" that would derive public good from interest-group power is wishful fiction. The interest group with the most clout predominates, and the public be damned. Consider, for example, the ignored claims of the public

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on striking teachers, or the public need for access when a militant youth group mounts a paralyzing demonstration.

The Road to Violence

The loudly proclaimed objective of equality turns out to be rhetoric when the group interest is involved. Group against opposing group is a kind of warfare which can resort to violence. Consider, for example, the radical racists – both black and white – or the radical union and the goon squads of the recent past. The human group is of such a nature that it leads its constituent members into fantastic expectations and unreasonable demands. An otherwise thoughtful and sensible group member may be blind to the nature of his interest group action. Casey Stengel, with more than usual insight and candor said: "All I want is a fair advantage." This is the attitude of the average interest group.

So pervasive is this chummy philosophy that our laws are written for interest groups and our government administers the laws with the interest group in mind. The Department of Labor, for instance, has become a servant of the unions, the Department of Agriculture works for the agricultural interests, and the Department of Commerce represents the trade associations. The net effect of the interest-group philosophy is contempt for law which dares to oppose the group interest.

Radical youth have no reluctance to violate the laws they dislike. The violator who burns his draft card or burns an ROTC building is more hero than lawbreaker to his crowd. Looting, rioting, even killing are justified and praised by the gang. Unions who feel their interests are violated feel free to break laws, or heads if necessary, to gain their ends. The radical blacks have come to regard policemen as pigs and many laws of the land as racist. Those who resisted the war in Indochina gloried in stealing documents, aiding the enemy, evading the draft, and disrupting society. The agencies which mirror public opinion such as the media, the academic people, and the public figures including some government officials have, on occasion, condoned and even praised such contempt for the law.

War Against Business

Interest-Group Interventionism has mounted the most amazing war against business. From quite different backgrounds, Mises and Schumpeter predicted the assault. Many business leaders have capitulated and thereby contributed to the predicament. The politicians

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have ganged up on the business community for the obvious reason that there are more votes with the opposition; the young have called business a rat race and concluded that even if you win it you are still a rat; the consumerists are often more interested in punitive action against business than in public protection; radical ecologists care less for clean air, water, and unspoiled nature than they care for aggression against the business community; even the unions whose very life depends on successful companies are out to destroy, with political help, the very industries which sustain them.

Businessmen have lost the self-esteem that makes the risks and hardships of business and financial responsibility worth the candle. The president of a vast corporation must slink into his barricaded office from the back way and say as little as possible about his work and his interests lest the ubiquitous enemy find new opportunities for attack. Some executives have joined the assault and are lined up with the enemy in order to buy a little public favor with the leftwing establishment and, perhaps, to pick up a few bucks at the expense of their more valiant colleagues.

The worker stands to lose even more by the Interest-Group war against business. Absenteeism, a major threat to the American economy, is a greater threat to the true interest of the worker even though his group folklore prompts him to think of it as his own right and a good way to get back at the company. Shoddy products and the loss of markets, both foreign and domestic, can only mean disaster for labor. The peer group which once ostracized an irresponsible worker now defends him and even applauds his disregard of schedules and assignments. Pride in workmanship, once a major satisfaction to an employee, is now held in cynical contempt by some who carp of exploitation and alienation.

The Worker's True Interest

The true interest of a worker is a prosperous company of which he can be proud, one which can afford to pay him well and treat him with considerable respect as an essential colleague. Such a worker is proud of his product which can compete with anything in the world. Yet the gang philosophy has threatened his job security by ill-conceived laws. It has taught him to think of work as a necessary evil, his company as an enemy, his job as a right of access to fabulous pay — with no responsibility for quality and quantity in production.

The American worker is exploited by the public philosophy

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and not so much by the corporation or by capital as he has been led to believe. The New Left ridicules him as a dope to believe in his country, and the left-leaning young call him a "Hard Hat" with supercilious contempt. The politicians offer him anything to buy his vote, and then give him only bad legislation which worsens his predicament. The strong and independent American worker seems unaware of the Interest-Group philosophy that is socializing his property, curtailing his liberty, and destroying his dignity.

The current public philosophy tends toward socialist economics, collectivist and egalitarian politics, government intervention, feeling rather than reason in the arts and public concerns, change rather than stability, sentimental identity with the underprivileged at home and abroad, sympathy for the left, and antipathy for the right.

The Class Struggle

The Utopian expectations inspired by the going viewpoint are quite beyond human possibility – if we can trust history. No civilization has ever achieved equality; but even if it were possible it would not be satisfactory, for those who feel disadvantaged seek domination rather than equal status. Not everyone can belong to the ruling class, for position and preference require the obverse – subordination. Gilbert and Sullivan effectively lampooned the pretensions of such Utopian expectations with the humorous failure of an attempt to make the butler into the Lord High Butler and the coachman into the Lord High Coachman. The consequence of a successful revolution would not be the "classless society" but a new and different ruling class, with inferior status and subordination for the rest. Much of the joy of the new ruling class would be the opportunity to beat up and put down the old ruling class. Envy, hate, and aggression are the psychological matrix of the class struggle.

Interest-Group Interventionism is not working and will not work because it is based on too many false assumptions. It lacks the common purpose and teamwork essential to a going and coherent society. Socializing the industries tends to reduce, rather than enhance, the standard of living. No country can defend itself without patriotism. No society can survive unless its people can become inured to the fact that many must accept and enjoy subordinate positions. Without reasonable equality of opportunity and equal justice under the law, no country can survive. No interest group can arrogate to itself control of the body politic without the dissolution of the

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country – unless that group becomes the government as happened in Russia and China. Ever. then, freedom is lost for all but the ruling clique.

Toward the Recovery of a Workable Public Philosophy

The ancient ideal of the rule of law rather than the rule of men is still valid even though the rush to pass interest-group legislation has perverted the concept. The rule of law as conceived by Plato, Solon, and Edward Coke implied that laws should be minimal rather than endlessly proliferating as they are today. The laws, moreover, must be enforceable and enforced or they are not laws at all. The ridiculous attempts at the prohibition of alcoholic beverages as conceived by Volstead and passed by the Congress are examples. Any law, moreover, should be written precisely so that interpretation is easy and negotiation unnecessary. Good laws are even-handed and fair to everybody, and should be enforced on all parties alike. The wheeling and dealing of government regulatory agencies who strive for consent decrees through muddled and ambiguous legislation is a travesty on justice and an invitation to fraud.

Our system appears to suffer from excessive special interest-group legislation. This results in a hopeless jungle of class-oriented laws, vaguely written, subject to administrative bargaining and dealing, rather than simple clarity and enforcement. We have laws for the veterans, the farmers, the unions, the builders, the railroads, the motor companies, the colleges, and almost any other interest group that comes to the mind and attention of some eager legislator.

The country would be better served by legislative sessions dedicated to the repeal of the superlative laws rather than the relentless creation of new ones. It is the shame of our age that a legislature takes pride in the number of bills it has passed to clutter the books and reduce human freedom. Laws to protect life, liberty, property, and laws to provide for the security and defense of the realm are essential and few. The legal corpus, like university catalogues, needs a thorough wringing out.

Avoid Needless Laws

In our charming little college town, we once had a bright and scholarly mayor who persuaded the town council to pass a law that no dog should bark or make any menacing noise. The dogs, unfortunately, could not read, and the growls continued. The state and Federal laws are more sophisticated but therefore more threatening to the common interest. A review

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of the special-interest legislation passed in the last decade would suggest real danger to the Republic. Such laws are intended to bring advantage to a few at the expense of many, and are, moreover, frequently unenforceable on a just and equitable basis. The result is administrative law with reliance on negotiation and compromise; nobody knows what is truly legitimate and nobody feels secure.

Such problems as obtained in our jury system and in our courts are beyond the scope of this paper, but the laws of the land can be effective only to the extent that they are accepted and obeyed. Society could not operate if force were required against many persons to compel obedience. The glory of Britain at the peak of her influence was the respect for law which was apparent in each citizen, along with the atmosphere of public expectations which inspired this respect. Centuries earlier, Plato had Socrates expound this very principle and epitomize it in the maxim: "The kingly man is a living law." Enforcement is essential, but it is for the few offenders. The vast majority must love and live the law.

Be An Individual

An honorable and effective public philosophy can be recovered if enough people think, care, and join in the affirmation of a systematic public opinion which honors life, liberty, and property.

Be an individual, and the group loses a pawn.

The collective mind obtains only when the individual mind abdicates.

Be free in thought, feeling, and action, and a one-man counter-revolution begins.

A noble capitalist is the best argument against communism.

Thomas Carlyle was on target when he said: "Be honest, and there will be one less scoundrel in the world."

Philosophy, public or private, begins in wonder and continues in the love of wisdom. It soon develops into a formulation of a viewpoint. Clearing the muddle out of one's head and thinking for oneself is a delight worthy to be prized.

A review of the American past seems to one old philosophy teacher to indicate that we have been blessed by the most effective and defensible public philosophy known to man. Our experiments in socialism, interventionism, statism, and interest-group legislation, with astonishing disregard for the most reliable and convincing evidence, have almost destroyed the goals, teamwork, and safety of our cherished land. Those of us who prize the rights to life, liberty, and prop-

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erty need to get our facts together and our theory organized so that we can make a case for the capitalist public philosophy before it is too late. America need not decline and fall just because Rome did. Each and every informed and articulate exponent of freedom is a vote for "a new birth of freedom."

I have been amazed at how convincing and unanswerable are the arguments for liberty in human affairs. I have heard Mises, Friedman, Rogge, Wright, and Hayek stand before throngs of students and faculty members with the challenge for anyone to name a period in world history in which the people enjoyed a high standard of living under any except a free market economy. Never have I heard a successful refutation of liberty, nor even a convincing example to the contrary. Beyond economics, however, the case for the initiative of free people is even more impressive.

With truth and history on the side of freedom, argument in its behalf is pleasant and rewarding. As a lifelong student of ideas, I am perplexed and troubled by my academic colleagues who are enthralled by the specious but superficially plausible arguments of the socialists. The patent mistakes of the Marxian Utopian expectation of a classless society, along with the mistaken assumption that corrupting power rests with private ownership rather than with the commissariat, are illustrative.

Become an expert in freedom philosophy, and have fun!

The Ideal Is Practical, Despite Problems

The problems of society are never solved; they are only resolved. No system ever works as well as its proponents claim. Even the halcyon days of American capitalism were fraught with occasions of license, rapacity, greed, envy, and fraud. If my case for Peoples' Capitalism seems too good to be true, you can rest assured that the faults of the system made it at home in the real world of people. When the late Will Rogers was asked, "What is wrong with the world?" he answered – "Mostly just folks!" You cannot have a perfect society with imperfect people. But a tolerable society it was, and that society could be recovered. Our present predicament has become almost intolerable, with urban jungles, greedy and unfair demands, superarrogations of power in the hands of the State, widespread nihilism, recourse to violence, contempt for law, and public approval of uncivil and even criminal behavior. We call not for Utopia, but only for a public philosophy which can release the free spirit, restrain the evil in man,

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and allow private interest to redound to public benefit.

If I am charged with describing the public philosophy in terms of the ideal, I accept the charge, but only in part. I have described it, rather, in terms of the possible. I feel warm identity with my delightful philosopher colleague, the late T. V. Smith, who said: "Don't let the best become the enemy of the good!" Plato defended his ideal city state in the *Republic* as not in actual existence, but "a pattern laid up in heaven." The possible public philosophy I have proposed has existed in the history of this country, and it could be recovered with many improvements if enough of us think, speak, write, and act with the persuasive eloquence and example of our courageous founding fathers.

Liberty is difficult to achieve, difficult to maintain, and difficult to recover, but the pursuit of it is the first responsibility of an informed American citizen.

IDEAS ON LIBERTY

My Creed

I DO NOT CHOOSE to be a common man. It is my right to be uncommon — if I can. I seek opportunity — not security. I do not wish to be a kept citizen, humbled and dulled by having the state look after me. I want to take the calculated risk; to dream and to build, to fail and to succeed. I refuse to barter incentive for a dole. I prefer the challenges of life to the guaranteed existence; the thrill of fulfilment to the stale calm of utopia.

I will not trade freedom for beneficence nor my dignity for a handout. I will never cower before any master nor bend to any threat. It is my heritage to stand erect, proud and unafraid; to think and act for myself, enjoy the benefit of my creations and to face the world boldly and say, this I have done.

All this is what it means to be an American.

DEAN ALFANGE

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FREE ENTERPRISE: *a definition*

EARL ZARBIN

MY BELIEF as a newspaperman is that freedom of the press, along with all of the other freedoms we are supposed to enjoy, cannot exist permanently in anything other than a society whose economic system is based on freedom. This means I support free enterprise.

But what is free enterprise? *Webster's Seventh New Collegiate Dictionary* says free enterprise is "freedom of private business to organize and operate for profit in a competitive system without interference by government beyond regulation necessary to protect public interest and keep the national economy in balance."

I disagree with the definition. It says that private business should be regulated for two reasons. The first of these is "to protect public interest" and the second is to keep "the national economy in balance."

What is meant by the "public interest"? If the public interest means that government should make its presence known so that robbers, thieves, burglars, and other cheats won't interfere with the peaceful activities of people as they go about their business, then I'm all for government. If the public interest means that government should bring about the peaceful settlement of contractual disputes in a court system, again I'm for government.

Mr. Zarbin is an assistant city editor at the *Arizona Republic* in Phoenix, Arizona.

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But if it means, as it has come to mean, that government should determine the wages that should be paid workers, that government should determine the prices of goods and services, that government should set profits, that government should create and enforce special favors for certain businesses, industries, and other groups, then I'm totally opposed to government involvement in the "public interest." Yet, that's what the public interest has come to mean today.

The public interest now means whatever the men in power and authority want it to mean. One day in January it was in the public interest to regulate almost all wages, prices, and profits; the next day it was in the public interest to abandon almost all of these controls. Who can say what the politicians in Washington will decide is in the public interest tomorrow? And four years from now, if the Democratic Party succeeds to the presidency, will the public interest be different than it is with a president from the Republican Party?

The Freedom to Choose

You'll notice, I hope, that the things I believe are in the public interest – protecting people from any who would steal from them and resolving disagreements in the courts – are intended to preserve the freedom of everyone to act peaceably in his own behalf.

On the other hand, the things of which I disapprove – government regulation of wages, prices, and profits – interfere with the freedom of peaceful people to decide their own business. Individual choices and judgments have been replaced by people in government who think they are better able to make such decisions. Of course, I reject such notions, because no one is better able to decide what is best for each of us than is the individual himself.

The second reason why private business should be regulated, according to Webster's definition, is to "keep the national economy in balance." By what authority was the Federal government given the job of keeping the national economy in balance? Is there some statement to this effect in the Constitution? Of course not. And what does "balance" mean? If the economy is in balance today, will it not be in balance tomorrow when a new set of politicians come to power?

Government has no more moral or legal authority to "keep the national economy in balance" than it has to act in the "public interest," beyond protecting life, liberty, and property. Keeping the national economy in balance and

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determining the public interest, beyond protecting peaceable citizens, are assumptions of authority never intended for the Federal government by the men who founded this nation.

So far as I am concerned, the intention of the Founding Fathers was to provide an opportunity for maximum individual freedom and enterprise through protecting life, liberty, and property. It was left to each person to decide for himself how he was to use his freedom, the sole restraint being that he not harm anyone else. That, I assume, includes not polluting the air we breathe, the water we drink, or the food we eat.

In a Competitive System?

Now let's take a look at the first part of *Webster's* definition, that part which says that free enterprise is "freedom of private business to organize and operate for profit in a competitive system..."

I don't like the way that is stated. The use of the word "in" – '*in* a competitive system' – suggests to me that someone specifically designed "a competitive system" in which everyone must operate. It can be said that the writers of the Constitution did establish "a competitive system" by their failure to give government a role in the organization of production and the distribution of goods and services. But what I think the Constitution does, instead, is to establish the conditions for personal freedom – which includes economic freedom.

The Constitution does not decree the manner in which business is to be conducted. The Constitution does not decree a competitive system as such. Rather, the Constitution allows the people to make their own choices about how they will employ their labor. And a competitive system evolved out of their freedom of choice to compete with one another.

If the people wanted, it would have been their right, as it is today, to organize their agricultural and industrial activities on a communal basis. They need not have engaged in competition at all. They might have decided that being their brother's keeper – that dividing what they produced into equal shares for all, regardless of their efforts – is what they wanted. Some few of them even tried this, just as we have some few trying it today. But they tried it in freedom. They tried it as a matter of the right to decide for themselves. Those who decided against the communal existence had to accept the challenge of the only available alternative: competing in the market place against all others who go there.

That's why I can't accept that

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free enterprise is "freedom of private business to organize and operate for profit in a competitive system . . ." If the people, in their freedom, had chosen not to compete, they didn't have to. If the people, in their freedom, had chosen to divide equally what they produced, the word profit might convey a meaning different than it does today. If the people, in their freedom, had chosen not to compete, we might think today more in terms of communal business than of private business.

Forced into Socialism

Perhaps there are exceptions, but for most people I doubt that they voluntarily go into communal or socialist businesses. In countries like Russia, China, Cuba, and Czechoslovakia, the people are forced into socialist enterprises by their governments. If these peoples were given their freedom, I have no doubt that they would quickly return to private business and that the productivity of their nations would quicken. They would return to private business and competition, because this is the way of human nature. Given their freedom, people will work to improve their personal situations. In doing this, so long as what they do is peaceful, they cannot help at the same time improving the conditions of everyone else.

Competition, or a competitive system, is the result of freedom; no government has to decree it. It evolves of its own accord in the nature of men and women and what they do when they feel secure in their lives, their liberty, and their property.

Now I am ready to offer my own definition of free enterprise. I believe free enterprise is the name given to an economic system that developed naturally out of the freedom of individuals to decide for themselves how to use their time and resources. In that economic system, the means of financing, designing, producing, exchanging, delivering, and servicing products are always subject to change, with the character of any change depending solely upon the ingenuity of the owners of the means of production. In free enterprise, government's role should be limited to policing the market place. Entry into the market place should be unrestricted. Government should not be in the business of granting favors to anyone, such as tax breaks, subsidies, tariffs, franchises, and monopolies.

A Hodgepodge of Intervention

From what I have said, it should be very plain that we do not have free enterprise in these United States. Our economic sys-

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tem is a hodgepodge of government rules and regulations which benefit some people at the expense of others.

If government regulates our economic life, there is nothing to prevent it from regulating every other area of our existence. Economic activity, basically, consists of the things that people do to stay alive. Economic freedom means the right that each of us should have to decide how he is going to earn his daily bread. The only restriction, as I said before, is that one not interfere with the rights of others.

If our economic system is not based on freedom, if we are restrained in our economic activities to what government directs or permits us to do, then we are not free. If we criticize, government might one day cut off our job, or we might be sent to a mental institution for rehabilitation, or we might be sentenced to a slave-labor camp.

In these United States government has come to control, through the passage of laws and through the decrees of various regulatory bodies, the economic decisions that should be left to the owners of private property. Besides this, through the power to tax, government can destroy any business or enterprise.

The Press Is Vulnerable

Freedom of the press is especially vulnerable. No publisher can exist unless he is a successful businessman, or unless someone is subsidizing him. In either case, he can publish only as long as he pleases the people paying the bills. Free speech is more difficult to destroy or deny, because speech is just that. But press freedom depends upon the printed word, which means paper, ink, and printing presses. All of these are products of economic activity and, as a consequence, so is freedom of the press.

If our economic system were based on freedom, which means free enterprise, we could be certain that we always would have freedom of the press. But if we persist in making government our master, the day will come when government will control us in everything except our private thoughts.

IDEAS ON LIBERTY

James Madison

MEASURES are too often decided, not according to the rules of justice and the rights of the minor party, but by the superior force of an interested and over-bearing majority.

From *The Federalist Papers* #10

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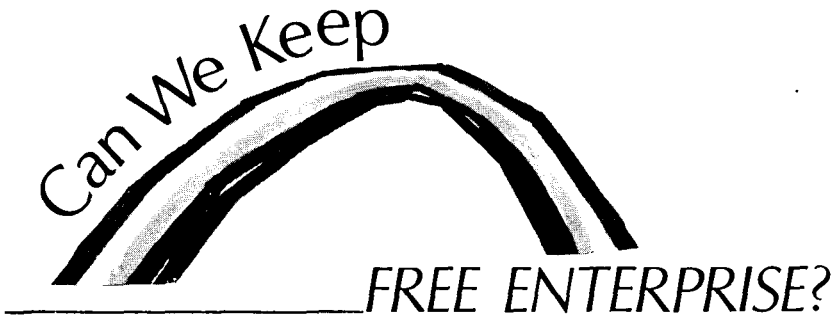
HENRY HAZLITT



NINE-TENTHS of what is written today on economic questions is either an implied or explicit attack on capitalism. The attacks are occasionally answered. But none of the answers, even when they are heard, are ever accepted as conclusive. The attacks keep coming, keep multiplying. You cannot pick up your daily newspaper without encountering half a dozen. The sporadic answers are lost in the torrent of accusation. The charges or implied charges outnumber the rebuttals ten to one.

What is wrong? Does capitalism, after all, have an indefensible case? Have its champions been not only hopelessly outnumbered but hopelessly outargued? We can hardly think so if we recall only a few of the great minds that have undertaken the task of defense, directly or indirectly, in the past – Hume, Adam Smith, Ricardo, Malthus, Bastiat, Senior, Boehm-Bawerk, John Bates Clark; or of the fine minds that have undertaken it in our day – Ludwig von Mises, F. A. Hayek, Milton Friedman, Murray Rothbard, Hans Sennholz, Israel Kirzner, David McCord Wright, and so many others.

What, then, is wrong? I venture to suggest that no defense of cap-

Henry Hazlitt is well known to *Freeman* readers as economist, author, columnist, editor, lecturer, and practitioner of freedom.

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italism, no matter how brilliant or thorough, will ever be generally accepted as definitive. The attacks on capitalism stem from at least five main impulses or propensities, all of which will probably be with us permanently, because they seem to be inherent in our nature. They are: (1) genuine compassion at the sight of individual misfortune; (2) impatience for a cure; (3) envy; (4) the propensity to think only of the intended or immediate results of any proposed government intervention and to overlook the secondary or long-term results; and (5) the propensity to compare any actual state of affairs, and its inevitable defects, with some hypothetical ideal.

These five drives or tendencies blend and overlap. Let us look at them in order, beginning with compassion. Most of us, at the sight of extreme poverty, are moved to want to do something to relieve it – or to get others to relieve it. And we are so impatient to see the poverty relieved as soon as possible that, no matter how forbidding the dimensions of the problem, we are tempted to think it will yield to some simple, direct, and easy solution.

The Role of Envy

Let us look now at the role of envy. Few of us are completely free from it. It seems to be part of man's nature never to be satisfied as long as he sees other people better off than himself. Few of us, moreover, are willing to accept the better fortune of others as the result of greater effort or gifts on their part. We are more likely to attribute it at best to "luck" if not to "the system." In any case, the pressure to pull down the rich seems stronger and more persistent in most democracies than the prompting to raise the poor.

Envy reveals itself daily in political speeches and in our laws. It plays a definite role in the popularity of the graduated income tax, which is firmly established in nearly every country today, though it violates every canon of equity. As J. R. McCulloch put it in the 1830's: "The moment you abandon the cardinal principle of exacting from all individuals the *same proportion of their income* or *of their property,* you are at sea without rudder or compass, and there is no amount of injustice or folly you may not commit."

McCulloch's prediction has been borne out by events. Historically, almost every time there has been a revision of income-tax rates the progression has become steeper. When the graduated income tax was first adopted in the United States in 1913, the top rate was 7 per cent. Some thirty years later it had risen to 91 per cent. In

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Great Britain the top rate went from 8¼ to 97½ per cent in a similar period. It has been repeatedly demonstrated that these confiscatory rates yield negligible revenues. The reduction of real income that they cause is certainly greater than the revenue they yield. In brief, they have hurt even the taxpayers in the lower brackets.

Yet envy has played a crucial role in keeping the progressive income tax. The bulk of the taxpayers accept far higher rates of taxation than they would if the rates were uniform; for the taxpayers in each tax bracket console themselves with the thought that their wealthier neighbors must be paying a far higher rate. Thus though about two-thirds (65.5 per cent) of the income tax is paid (1969) by those with adjusted gross incomes of $20,000 or less, there is an almost universal illusion that the real burden of the tax is falling on the very rich.

But perhaps the greatest reason why governments again and again abandon the principles of free enterprise is mere shortsightedness. They attempt to cure some supposed economic evil directly by some simple measure, and completely fail to foresee or even to ask what the secondary or long-term consequences of that measure will be.

Tampering with Money

From time immemorial, whenever governments have felt that their country was insufficiently wealthy, or when trade was stagnant or unemployment rife, the theory has arisen that the fundamental trouble was a "shortage of money." After the invention of the printing press, when a government could stamp a slip of paper with any denomination or issue notes without limit, any imaginable increase in the money supply became possible.

What was not understood was that any stimulative effect was temporary, and purchased at excessive cost. If the boom was obtained by an overexpansion of bank credit, it was bound to be followed by a recession or crisis when the new credit was paid off. If the boom was obtained by printing more government fiat money, it temporarily made some people richer only at the cost of making other people (in real terms) poorer.

When the supply of money is increased the purchasing power of each unit must correspondingly fall. In the long run, nothing whatever is gained by increasing the issuance of paper money. Prices of goods tend, other things equal, to rise proportionately with the increase in money supply. If the stock of money is doubled, it can in the long run purchase no

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more goods and services than the smaller stock of money would have done.

And yet the government of nearly every country in the world today is busily increasing the issuance of paper money, partly if not entirely because of its belief that it is "relieving the shortage of money" and "promoting faster economic growth." This illusion is intensified by the habit of counting the currency unit as if its purchasing power were constant. In 1971 there was a great outburst of hurrahs because the GNP (gross national product) had at last surpassed the magic figure of a trillion dollars. (It reached $1,046 billion.) It was forgotten that if the putative GNP of 1971 had been stated in terms of dollars at their purchasing power in 1958 this 1971 GNP would have come to only $740 billion, and if stated in terms of the dollar's purchasing power in 1939 would have come to only $320 billion.

Yet monetary expansion is everywhere today – in every country and in the International Monetary Fund with its SDR's – the official policy. Its inevitable effect is rising prices. But rising prices are not popular. Therefore governments forbid prices to rise.

And this price control has the enormous political advantage of deflecting attention away from the government's own responsibility for creating inflation, and by implication puts the blame for rising prices on the greed of producers and sellers.

Price Control

The record of price controls goes as far back as human history. They were imposed by the Pharaohs of ancient Egypt. They were decreed by Hammurabi, king of Babylon, in the eighteenth century B. C. They were tried in ancient Athens.

In 301 A. D., the Roman Emperor Diocletian issued his famous edict fixing prices for nearly eight hundred different items, and punishing violation with death. Out of fear, nothing was offered for sale and the scarcity grew far worse. After a dozen years and many executions, the law was repealed.

In Britain, Henry III tried to regulate the price of wheat and bread in 1202. Antwerp enacted price-fixing in 1585, a measure which some historians believe brought about its downfall. Price-fixing laws enforced by the guillotine were also imposed during the French Revolution, though the soaring prices were caused by the revolutionary government's own policy in issuing enormous amounts of paper currency.

Yet from all this dismal his-

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tory the governments of today have learned absolutely nothing. They continue to overissue paper money to stimulate employment and "economic growth"; and then they vainly try to prevent the inevitable soaring prices with ukases ordering everybody to hold prices down.

Harmful Intervention

But though price-fixing laws are always futile, this does not mean that they are harmless. They can do immensely more economic damage than the inflation itself. They are harmful in proportion as the legal price-ceilings are below what unhampered market prices would be, in proportion to the length of time the price controls remain in effect, and in proportion to the strictness with which they are enforced.

For if the legal price for any commodity, whether it is bread or shoes, is held by edict substantially below what the free market price would be, the low fixed price must overencourage the demand for it, discourage its production, and bring about a shortage. The profit margin in making or selling it will be too small as compared with the profit margin in producing or selling something else.

In addition to causing scarcities of some commodities, and bottlenecks in output, price-control must eventually distort and unbalance the whole structure of production. For not only the absolute quantities, but the proportions in which the tens of thousands of different goods and services are produced, are determined in a free market by the relative supply and demand, the relative money prices, and the relative costs of production of commodities A, B, C, and N. Market prices have work to do. They are signals to both producers and consumers. They tell where the shortages and surpluses are. They tell which commodities are going to be more profitable to produce and which less. To remove or destroy or forbid these signals must discoordinate and discourage production.

Selective Controls — No Stopping Place

General price controls are comparatively rare. Governments more often prefer to put a ceiling on one particular price. A favorite scapegoat since World War I has been the rent of apartments and houses.

Rent controls, once imposed, are sometimes continued for a generation or more. When they are imposed, as they nearly always are, in a period of inflation, the frozen rents year by year become less and less realistic. The long-

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term effect is that the landlords have neither the incentive nor the funds to keep the rental apartments or houses in decent repair, let alone to improve them. Losses often force owners to abandon their properties entirely. Private builders, fearing the same fate, hesitate to erect new rental housing. Slums proliferate, a shortage of housing develops, and the majority of tenants, in whose supposed interest the rent control was imposed in the first place, become worse off than ever.

Perhaps the oldest and most widespread form of price control in the world is control of interest rates. In ancient China, India, and Rome, and nearly everywhere throughout the Middle Ages, all interest was called "usury", and prohibited altogether. This made economic progress all but impossible. Later, the taking of interest was permitted, but fixed legal ceilings were imposed. These held back economic progress but did not, like total prohibition, prevent it entirely.

Yet political hostility to higher-than-customary interest rates never ceases. Today, bureaucrats combat such "exorbitant" rates more often by denunciation than by edict. The favorite government method today for keeping interest rates down is to have the monetary managers flood the market with new loanable funds. This may succeed for a time, but the long-run effect of overissuance of money and credit is to arouse fears among businessmen that inflation and rising prices will continue. So lenders, to protect themselves against an expected fall in the future purchasing power of their dollars, add a "price premium". This makes the gross market rate of interest higher than ever.

The propensity of politicians to learn nothing about economics is illustrated once again in the laws governing foreign trade. The classical economists of the eighteenth century utterly demolished the arguments for protectionism. They showed that the long-run effect of protective tariffs and other barriers could only be to make production more inefficient, to make consumers pay more and to slow down economic progress. Yet protectionism is nearly as rampant as it was before 1776, when *The Wealth of Nations* was published.

The Conquest of Poverty

In the same way, all the popular political measures to reduce or relieve poverty are more distinguished for their age than for their effectiveness.

The major effect of minimum-wage laws is to create unemployment, chiefly among the unskilled

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workers that the law is designed to help. We cannot make a worker's services worth a given amount by making it illegal for anyone to offer him less. We merely deprive him of the right to earn the amount that his abilities and opportunities would permit him to earn, while we deprive the community of the moderate services he is capable of rendering. We drive him on relief.

And by driving more people on relief by minimum-wage laws on the one hand, while on the other hand enticing more and more people to get on relief by constantly increasing the amounts we offer them, we encourage the runaway growth of relief rolls. Now, as a way to "cure" this growth, reformers come forward to propose a guaranteed annual income or a "negative income tax." The distinguishing feature of these handouts is that they are to be given automatically, without a means test, and regardless of whether or not the recipient chooses to work. The result could only be enormously to increase the number of idle, and correspondingly to increase the tax burden on those who work. We can always have as much unemployment as we are willing to pay for.

At bottom, almost every government "anti-poverty" measure in history has consisted of seizing part of the earnings or savings of Peter to support Paul. Its inevitable long-run result is to undermine the incentives of both Peter and Paul to work or to save.

What is overlooked in all these government interventions is the miracle of the market – the amazing way in which free enterprise maximizes the incentives to production, to work, innovation, efficiency, saving, and investment, and graduates both its penalties and rewards with such accuracy as to tend to bring about the production of the tens of thousands of wanted goods and services in the proportions in which they are most demanded by consumers. Only free private enterprise, in fact, can solve what economists call this problem of economic calculation.

The Problem of Calculation

Socialism is incapable of solving the problem. The bureaucratic managers of nationalized industries may be conscientious, God-fearing men; but as they have no fear of suffering personal losses through error or inefficiency, and no hope of gaining personal profits through cost-cutting or daring innovation, they are bound, at best, to become safe routineers, and to tolerate a torpid inefficiency.

But this is the smallest part of

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the problem. For a complete socialism would be without the guide of the market, without the guide of money prices or of costs in terms of money. The bureaucratic managers of the socialist economy would not know which items they were producing at a social profit and which at a social loss. Nor would they know how much to try to produce of each item or service, or how to make sure that the production of tens of thousands of different commodities was synchronized or coordinated. They could, of course (as they sometimes have), assign arbitrary prices to raw materials and to the various finished items. But they would still not know how much or whether the bookkeeping profits or losses shown reflected real profits or losses. In short, they would be unable to solve the problem of economic calculation. They would be working in the dark.

The directors of a socialist economy would have to fix wages arbitrarily, and if these did not draw the right number of competent workers into making the various things the directors wanted produced, and in the quantities they wanted them to be produced, they would have to use coercion, forcibly assign workers to particular jobs, and direct the economy from the center, in a military kind of organization. This militarization and regimentation of work is what, in fact, Cuba, Russia, and Red China have resorted to.

Rising Expectations

We come finally to the fifth reason that I offered at the beginning for the chronic hostility to free enterprise. This is the tendency to compare any actual state of affairs, and its inevitable defects, with some hypothetical ideal; to compare whatever is with some imagined paradise that might be. In spite of the prodigious and accelerative advances that a dominantly private enterprise economy has made in the last two centuries, and even in the last two decades, these advances can always be shown to have fallen short of some imaginable state of affairs that might be even better.

It may be true, for example, that money wages in the United States have increased fivefold, and even after all allowance has been made for rising living costs, that real wages have more than doubled in the last generation. But why haven't they tripled? It may be true that the number of the "poor", by the Federal bureaucrats' yardstick, fell from 20 per cent of the population in 1962 (when the estimate was first made) to 13 per cent in 1970. But why should there be any poor peo-

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ple left at all? It may be true that the employees of the corporations already get seven-eighths of the entire sum available for distribution between them and the stockholders. But why don't the workers get the whole of it? And so on and so on.

The very success of the system has encouraged constantly rising expectations and demands – expectations and demands that keep racing ahead of what even the best imaginable system could achieve.

The struggle to secure what we now know as capitalism – i.e., unhampered markets and private ownership of the means of production – was long and arduous. It has proved an inestimable boon to mankind. Yet if this system is to be saved from willful destruction, the task of the incredibly few who seem to understand how and why it works is endless. They cannot afford to rest their case on any defense of free enterprise, or any exposure of socialism or other false remedies, that they or their predecessors may have made in the past. There have been some magnificent defenses over the past two centuries, from Adam Smith to Bastiat, and from Boehm-Bawerk to Mises and Hayek. But they are not enough. Every day capitalism faces some new accusation, or one that parades as new.

Eternal Vigilance – Truth Needs Repeating

In brief, ignorance, shortsightedness, envy, impatience, good intentions, and a utopian idealism combine to engender an endless barrage of charges against "the system" – which means against free enterprise. And so the return fire, if free enterprise is to be preserved, must also be endless.

I find I have only been applying to one particular field an exhortation that Goethe once applied to all fields of knowledge. In 1828 he wrote in a letter to Eckermann:

"The truth must be repeated again and again, because error is constantly being preached round about us. And not only by isolated individuals, but by the majority. In the newspapers and encyclopedias, in the schools and universities, everywhere error is dominant, securely and comfortably ensconced in public opinion which is on its side."

Yet above all in political and economic thought today, the need to keep repeating the truth has assumed an unprecedented urgency. What is under constant and mounting attack is capitalism – which means free enterprise – which means economic freedom – which means, in fact, the whole of human freedom. For as Alexander Hamilton warned: "Power

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over a man's subsistence is power over his will."

What is threatened, in fact, is no less than our present civilization itself; for it is capitalism that has made possible the enormous advances not only in providing the necessities and amenities of life, but in science, technology, and knowledge of all kinds, upon which that civilization rests.

All those who understand this have the duty to explain and defend the system. And to do so, if necessary, over and over again.

This duty does not fall exclusively on professional economists. It falls on each of us who realizes the untold benefits of free enterprise and the present threat of its destruction to expound his convictions within the sphere of his own influence, as well as to support others who are expounding like convictions. Each of us is as free to practice what he preaches as to preach what he practices. The opportunity is as great as the challenge.

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The Elite Under Capitalism

IDEAS ON LIBERTY

THERE IS, in a free society, no other means to avoid the evils resulting from one's fellows' bad judgment than to induce them to alter their ways of life voluntarily. Where there is freedom, this is the task incumbent upon the elite.

Men are unequal and the inherent inferiority of the many manifests itself also in the manner in which they enjoy the affluence capitalism bestows upon them. It would be a boon for mankind, say many authors, if the common man would spend less time and money for the satisfaction of vulgar appetites and more for higher and nobler gratifications. But should not the distinguished critics rather blame themselves than the masses? Why did they, whom fate and nature have blessed with moral and intellectual eminence, not better succeed in persuading the masses of inferior people to drop their vulgar tastes and habits? If something is wrong with the behavior of the many, the fault rests no more with the inferiority of the masses than with the inability or unwillingness of the elite to induce all other people to accept their own higher standards of value. The serious crisis of our civilization is caused not only by the shortcomings of the masses. It is no less the effect of a failure of the elite.

LUDWIG VON MISES

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"Permissiveness" or Liberty?

ROBERT C. WILSON

TRADITIONALLY, there has been one principle with which men have been able to judge lawmaking since the advent of liberalism (in the original sense of that word). It was the principle enshrined in the American constitution and emulated, in part or in whole, by all nations seeking to follow America's revolutionary lead. It was the principle that guided men like William Graham Sumner, Stephen J. Field and Herbert Spencer in their respective intellectual arenas. It was a principle simultaneously legal, political and philosophic – the principle of liberty.

Although still the best and only real guide to such subsidiary concepts as justice and legality, liberty is no longer the yardstick against which law is measured. Other concepts have replaced it: the "public interest," the "general welfare," and a range-of-the-moment pragmatism designed to fit such goals. These may seem like esoteric and ethereal changes. But they filter down to – and confuse – the layman in such concepts as "permissiveness."

Eminent economists have decried the forcing of military and political labels on the market economy – "robber barons," "trade wars," and the like. We should similarly object to a spurious analogy with the art of child-rearing (of all things!). Permissiveness and its opposite, discipline, are terms describing a parent-child relationship. They have no place in a discussion of the free market.

They *do* however take on some importance in the economic and legal morass of welfarism, socialism, any breed of statism in proportion to the degree of power it exerts. Why?

Mr. Wilson is a student of the freedom philosophy and a free-lance writer in Etobicoke, Ontario.

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"Parens Patriae"

Western law treats the state as a protector of liberty and arbiter of justice. But this is not the only conceivable relation of the state to its citizens. "From Roman law comes the idea that in some circumstances the state should relate to the citizens as the parent to his child," a doctrine known as *"parens patriae."*[1]

This is not a liberal or libertarian policy. "Under the doctrine of *parens patriae,* certain types of social relations are excluded from those governed by Anglo-American, democratic principle. Further, it is recognized as legitimate that, in some circumstances, people may be treated as stupid children, and the government as their wise parent. The exemption of *some* men, and *some* governmental functions, from even minimal standards of competence and responsibility threatens to undermine traditional English and American political institutions. Yet, without them, there can be no open society, and no personal liberty. In brief, to whatever extent we bestow the power of *parens patriae* on the government, to that extent we grant it despotic powers. Nor can we expect that such powers, once granted to specific agencies, will remain localized. On the contrary, the process will spread, and unless halted, will envelop the state."[2]

Interventionism

Yet it is precisely this *parens patriae* relationship that interventionism creates. When the state seeks to feed, clothe, house or otherwise satisfy the desires of its citizens by legislative fiat – what relationship can it be assuming save that of the prosperous and benevolent parent?

But, as Dr. Szasz notes, with the parental gift comes parental discipline. We may still profess pained amusement when (for instance) the Soviet Union, as it did recently, bans bridge clubs as "immoral" and restricts bridge-playing to "consenting adults in private." We should remember however that this kind of school-teacher mentality is nothing more than *parens patriae* – and that the banning of bridge clubs is a grotesque minor symptom of the disease that bans private enterprise.

Parens patriae is a concept that Anglo-American law has not fully accepted. *Parens patriae* and the Constitution are not at all comfortable together. But the ideals and assumptions of laymen have changed to such an extent that "permissiveness" is allowed to become a national issue.

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1 Thomas S. Szasz, *Law, Liberty and Psychiatry* (New York: Macmillan, 1963), p. 151.

2 *Ibid.*

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Special Privileges

"Permissiveness" assumes *parens patriae*.

"Permissiveness" can only obtain if the state is an omnipotent granter of permission to its children, the citizens.

One consequence of this particularly universal assumption is that *moral issues* are argued in *legal terms*. The mentality of the bureaucrat has been characterized as a belief that "whatever is not illegal, should be compulsory." We run into variations on this theme practically every day.

"Have you heard about the Amish children," goes a typical question, "taken off to public schools against the wishes of their parents?"

"Yes," the libertarian answers, "and I disapprove."

"Oh? You mean you're against education?"

— and so on. The layman considers it paradoxical to support education but oppose *forced* education, to oppose pornography and censorship simultaneously, to oppose drug abuse vehemently but to advocate repeal of the laws. (I choose these issues simply because they are the ones to which the "permissiveness" question is usually applied, not because they are in any way central to libertarianism.) In short, it is considered paradoxical for the libertarian to uphold the *freedom to make mistakes*.

This is where "permissiveness" intrudes. The "permissive" lawmaker would sanction such vices as drinking, pornography and the rest of the current issues. The "disciplinary" legislator would do away with those indulgences of which he disapproves. In either case, the *right* of the state to grant permission is considered obvious and *a priori*. Thus the advocate of limited government can be made to sound more libertine than libertarian — as if opposing prohibition and advocating drunkenness were one and the same thing.

Given this confusion of moral and legal values, some might still be prompted to ask: Is the free market *morally* "permissive"? Does it encourage licentiousness and avarice or rather the more traditional values?

Market Neutrality

Enemies of the market system attribute its productive power to the petty materialism of producers, and condemn it for catering to the "base" desires of consumers. The answer has been made that, on the contrary, capitalism and the free market "reward" only productive activity and not the unproductive vices. Either way, it should be obvious that capitalism *qua* economic system is based on produc-

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ing marketable items, and this marketability depends on the value judgments of the buyers. If there is a market for pornography, it is not the fault of pornographers "coercing" the public. "Mankind does not drink alcohol because there are breweries, distilleries and vineyards; men brew beer, distill spirits, and grow grapes because of the demand for alcoholic drinks. The capitalist who owns shares in breweries and distilleries would have preferred shares in publishing firms for devotional books, had the demand been for spiritual and not spiritous sustenance."[3] Since the free market may only serve and does not dictate personal values – since it can in no way duplicate the legal state of affairs we call *parens patriae* – then not even in this realm can the word "permissiveness" have any application.

Misplaced Faith

Perhaps we should have more confidence in mankind and less faith in the benevolence of omnipotent legislators. Free men may make mistakes, and bear the brunt of the consequences, but this is no mark against them. Free men have also been competent to build the huge and complex industrial civilization that bureaucrats seek to control. The truth is that individual men are much better able to judge their own interests than lawmakers, whose decrees must be tailored to fit everyone equally. "Laissez-faire means: let the individual citizen, the much talked-about common man, choose and act and do not force him to yield to a dictator."[4] If we consider a given man's actions immoral (and so long as he is not initiating force or fraud) we may tell him so; we should not consider it our duty to "protect" him or his customers at the point of a gun. Perhaps the best way for a libertarian to illustrate moral virtues is by *living* them.

At any rate, it would be poor policy to accept the implicit doctrine of *parens patriae*. The free market is not "permissive" because it has no permission to grant; sovereignty is in the hands of the individual. Questions of moral judgment do not become matters of government policy.

We are either free men or wards of the Parent State, one or the other. The two are not compatible. But if we must choose, let us do so openly; not under the smuggled implications of a word like "permissiveness."

3 Ludwig von Mises, *Socialism* (London: Jonathan Cape, New Edition, 1951), p. 446.

4 Ludwig von Mises, *Planning for Freedom* (South Holland, Illinois: Libertarian Press, 1962), p. 49.

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COMPETITION
What and When

W. A. PATON

AN ECONOMY dominated by individual initiative and private enterprise, as opposed to one controlled and directed by some form of government, may be characterized broadly as a tripod, with supporting legs or pillars as follows:

1. Sound money mechanism.
2. Flow of risk capital.
3. Competitive markets.

And the structure will collapse if any one of these basic props is cut down, eliminated, either by a single stroke or by being rotted away. Lenin is reputed to have said that a sure way to destroy capitalism, without firing a shot, is to debauch the currency. He might equally well have pointed out that one way to establish socialism is to create a climate which discourages private capital formation, especially the crucial layer of risk or venture funds. It may also be insisted that private enterprise will topple, will be transformed into some form of statism, if the condition of effective competition in the market network is not maintained.

This statement, of course, does nothing more than suggest some fundamental features of the "free", noncollectivist, economic order, but this will suffice for my limited purpose. The objective here is to discuss briefly the third leg of the stool, the factor of competition, particularly with a view to punching some holes in the curtain of confusion and misunderstanding shrouding the subject — a condition rampant among the rank-and-file, scarcely less in evidence in managerial and financial circles, and by no means absent

W. A. Paton is Professor Emeritus of Accounting and of Economics, University of Michigan. He is author (or co-author) of a score of books and many articles, largely in the field of accounting. Since his retirement at Michigan, he has continued his writing and lecturing activities and has done part-time teaching at a dozen colleges and universities, in ten states.

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from the textbooks of the professors of economics and the expressed views of other groups supposed to be well informed.

Competition Defined — Catering to Customers

To begin with I'll attempt to define market competition in a broad sense. *Competition is the pressure present in the market which induces producers* — all along the economic pipeline, from the initial stages to delivery of the ultimate commodity or service — *to endeavor to meet the expressed needs and desires of customers, and as efficiently as possible.* Put a bit more tersely: *Competition is the force responsible for the urge to serve customers well.*

In explaining and applying this definition the first step is to note the use of the terms "pressure" and "force" and the absence of any reference to price. This omission is not intended to belittle the price-making process and the importance of competition in this process. But in my view the underlying factor, the primal condition, is an active desire to attract business, a recognition of the need to cater to customers to maintain — and expand — the volume of output, whatever that may be. And there is widespread failure, notably among critics of market activities and results, to appreciate this point.

The urge to serve customers well is not confined to price levels and movements as such, as is so often assumed. Changes in the physical characteristics of the product, modifications of delivery and post-delivery services, improvement in personal qualities and behavior of producer's staff, particularly at points of order-taking and sale, variations in arrangements regarding payment by the buyer — these are all avenues of influence to customer attitude and behavior. In the retail market, for example, many persons may prefer a clean, orderly store, with pleasant and accommodating personnel, to a dingy discount loft, with an indifferent attendant, even if the physical product desired, and available at both places, is a standard make and model of an electric shaver. Some buyers may even enjoy walking on a carpet with a heavy nap, as they move about examining the available merchandise.

Beyond doubt, pleasing and convenient packaging and attractive display of goods have an important impact on customers. And why not? Some people object to efforts such as those mentioned to "lure" patrons, but I don't go along with the idea that there is anything wrong with catering to

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the buyer's inherent desires and inclinations. The fact that the waitresses are carefully selected and well trained, and provide exceptionally courteous and efficient service, is one of the reasons why I usually take my away-from-home meals at Bill Knapp's.

In short, in private enterprise it should be acknowledged that the customer is *king*.

Product Description

Another way of indicating the nature and importance of the tendency to cater to customers is via careful identification and classification of economic goods. A particular product, even in the case of commodities, is not merely an arrangement of molecules; it is rather an overall package of physical content and related conditions. Thus a pound of coffee on the retail market, for example, is not just a pound of coffee. The economic product involved varies with the raw materials used, the methods of treatment or manufacture, the package employed, the circumstances of delivery, and other associated conditions. To push the point a little further, a jar of coffee of a particular brand and size, selected by the housewife from a shelf in the supermarket, paid for in cash after standing in line for a varying time, and transported by the buyer to her home, is not the same economic good as a physically equivalent jar left on her doorstep at a satisfactory hour and for which payment is made after receiving the monthly statement from the grocery store.

Closely defined as suggested, the array of distinctive economic goods available on the market, especially at the final consumer level, constitutes an almost endless list. This fact is widely neglected in discussions of the state of competitive pressure, especially among those calling for more government interference in the market process.

Effective Competition

I particularly want to stress in this piece the need to recognize that effective competition is imperfect competition. Even in sophisticated discussions of the nature of competitive pressure, and its impact on the market, this point is often neglected or inadequately presented. There is no such thing as instantaneous, atomistic, "perfect" competition in any market, and we can be thankful for this.

In the first place may be noted the matter of practical details with respect to products and prices. It presumably costs more to transport a Hershey chocolate bar from Pennsylvania to Cali-

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fornia than it does to ship it to New York, but it doesn't follow that it would be good sense to try to establish a different price in each of these market areas. There is more material in a large-size pair of socks than in a small-size pair of the same style and quality, but I've never heard of a customer complaining because all the sizes have the same selling price. In contrast the price of the package of corn flakes or other cereal will vary with the amount of the contents and the price of a carton of "large" eggs is more than that of the "medium" size. In general, it is safe to say, practices such as these are not objectionable, and do not indicate absence of adequate competitive pressure. It may also be urged that customer reaction can be relied upon to bring about prompt modification of unreasonable pricing procedures and schedules.

Much more significant is the necessity for time lags in the processes of product improvement, price adjustments, and other changes. It is a blessing, rather than something to be deplored, that making even small changes in business operating methods can't be effected instantaneously throughout the whole structure of production and distribution. If the person or firm with a new discovery or idea, major or minor, knew that the instant the improvement was introduced on the market, or preparations to introduce it were begun, everyone else in the field, including newcomers, would immediately match such action, the incentive to change, development, advance, would largely or entirely disappear. It is the hope of getting a head-start, gaining an advantage with buyers, at least temporarily, that provides the principal spur to the ingenious, the resourceful, the innovative. And, to repeat, this is a blessing, not a bane; it deserves to be encouraged, not curbed.

The condition essential to technological progress, and greater output of economic goods, is a climate that provides rewards for the go-getters, the hustlers, the sprinkling of those with new ideas about methods and an urge to promote more efficient operation and improved utilization of available resources. When there is no such climate, when interference with initiative, drive, and yearning for improvement reaches the saturation point, the march to greater production per capita, to higher living standards, will grind to a halt. One of the major weaknesses in prevailing attitudes is preoccupation with the condition of the weakling, the underdog, and increasing forgetfulness of

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the important role of the talented, the energetic, the inventive. Coddling the inefficient and curbing the hustlers is the sure road to a stifling of progress, and an improved economic condition for all hands, and especially those for whom there is currently such great concern.

Rivalry Among Producers

In the above observations no specific reference has been made to rivalry among producers for customer favor. This condition is generally regarded as the very heart of competitive pressure — the primary factor that induces sellers to try to serve customers well, either through price adjustment or in some other manner. I go along with this to a degree. Beyond doubt the presence of other sellers in the market place, actively seeking customer orders, is a major ingredient in the mix of conditions impelling product modification and improvement (in the broad sense already explained), and efficient operation as a means to matching or beating the prices at which rivals are offering comparable goods.

In this connection the pressure of the *potential* competitor should not be overlooked. Where a producer is temporarily without active rivals, but there are no serious obstacles to the entry of others into the field, the welfare of the customer — with respect to product quality, price, and so on — may continue to be the dominating consideration.

It is perhaps somewhat objectionable to stretch the term "competition" to cover other influences than market rivalry that provide protection to customers, that encourage seller subservience to the buyer. But that there are such influences can be readily demonstrated, although there is a widespread tendency to forget this side of the coin. In other words, in a free market the urge to serve the customer well is not *solely* the result of pressure exerted by either active or potential rivals. This aspect of market activity may be regarded as a supplement to competition in the narrower sense, of substantial significance, and deserving more attention than it receives in discussions of price-making and seller-buyer relationships and behavior.

Single-Producer Situation — Demand Elasticity

That the producer will be sensitive to customer needs and attitudes even in the absence of both active and potential rivals in his specific field can be made clear by postulating a situation of this type. Such a producer must still

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face the fact that the demand for his particular product will almost certainly be elastic. Especially nowadays, with markets loaded with a tremendous range of goods with minor variations in serviceability, the customer can reduce or discontinue his purchases of a particular product without great hardship or even inconvenience. Thus he is protected from bad treatment by the ease with which he can modify his buying practices – and the typical producer of some distinctive commodity or service is very much aware of this possibility, and acts accordingly.

Just try to think of a product at the ultimate consumer level that is so essential to the buyer's welfare that he must have it regardless of price or attendant conditions. It is difficult to find good examples, especially if we confine attention to the output of private enterprise. Even in the case of the public utilities, so-called, such as telephone service and electric power, the customer is by no means helpless, aside from the efforts of regulatory agencies. The householder or other consumer of energy, for example, can readily shift from electricity to gas or vice versa, (to say nothing of oil and coal), for at least a portion of his needs.

Where elasticity of demand depends entirely on the possibility of substitution it is not unreasonable to say that the producer finds himself confronted by rivals for the customer's buying power, even if rivals are not at the moment offering an identical product on the market. However, it is important to note that demand for most specific products is inherently elastic to a degree. If plane fares soar the customer may decide to do less traveling, by air or otherwise. If the price of telephone service advances sharply the householder with two or more phones may decide to curtail his expenditures for such service by having one or more instruments removed, and he also may restrict the number and duration of long-distance calls to children, grandchildren, and others. The buyer of electric illumination may also readily contract his use of this product by turning off some lights and using smaller bulbs. The plain fact is that we don't have to consume a particular level – to say nothing of an expanding amount – of most of the array of specific goods and services making up the present-day standard of living. In the absence of actual coercion by some government agency, or a gang of thugs or racketeers, the customer still is sovereign – and without need of aid from government, or consumer advocates and other busybodies.

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What About Monopoly?

Those favoring increasing interference by government agencies with the activities of sellers and buyers, throughout the economy, and especially in the area of consumer goods and the retail market, will of course reject the position that the customer is usually able to protect himself from exploitation, assuming that he is not subject to intimidation or downright dictation. They allege that producers will enter into agreements and combine forces to build monopolistic market positions, and that action by government is essential to resist such developments, and break up trusts and other combinations, including huge corporations formed through mergers. They point to the long history of Federal antimonopoly legislation, and enforcement procedure through the courts and other arms of government, and assume that without these efforts an unbearable structure of monopolistic control of the market apparatus would have been achieved. In short, the position is taken that a healthy state of market competition is impossible without government intervention.

This is a big subject, and must be dealt with here very briefly. In my judgment a careful examination of the historical picture and the current state of affairs will disclose that the most deadly influence tending to destroy the effectiveness of the market, and stifle the pressures and factors that afford protection to the buyer, at all market levels, is *government interference.* Indeed, there is good reason for regarding government as the major culprit, the villain in the woodpile, in fostering, directly or indirectly, monopolistic conditions that have been sustained and seriously harmful.

On the current scene, many will agree, the tremendous power wielded by labor unions in the market for personal services, rests in large part on enactments of Congress and the procedures of enforcing agencies, plus failure of the police power to curb intimidation and violence, including wanton property destruction and physical injury — and even death — to individuals with the temerity to resist the labor bosses.

It may also be urged that the tide of intervention that has been flowing over our markets like lava, all in the name of protecting buyers and preserving competition, has discouraged producers from catering to customer desires and making prompt modifications and changes in technology and products in response to changing conditions. In the case of the railroad industry, certainly, now flat on its back, stupid and slow regula-

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tory action has been an important factor in checking or preventing timely modernization of plant and equipment, prompt price adjustments, downward as well as upward, and changes in service schedules and operating methods. Then, more recently, came the crippling impact of vast expenditures on highway construction, at taxpayers' expense, to facilitate the growth of transportation by motor vehicles.

Close scrutiny of the course of "antitrust" legislation and enforcement efforts shows that this continuing crusade to preserve and strengthen competitive pressure in the market structure has not been a success, viewed as a whole. Courts and other enforcement agencies have shown little awareness of the meaning of competition, and the related market conditions that serve to keep producers on their toes in the effort to attract customers and expand volume of output. There has been a tendency to assume that uniform prices in a given market area indicate a noncompetitive condition, despite the fact that such pricing will surely result from keen and persistent competitive pressure. That it may not be practicable to change prices every day, or even every week or month in some fields, is often overlooked. There has been little evidence of an understanding of the plain truth that rivalry among a few large producers can be as vigorous, and as conducive to customer welfare, as the competitive pressure engendered in a field where many are contending for buyer favor. There has been an appalling lack of understanding of the relation of the operating cost of a particular producer to the competitive market price of the product.

The impact of the long delays in reaching and implementing legal decisions has been harassing and stifling. And decisions in many cases have been impractical to the point of absurdity. For example, when a court orders that company X must "divest itself" of company Y five or six years after the operations and financial structures of the two concerns have been integrated, the decision is hardly short of outlandish in its neglect of economic reality and damaging consequences. Such decisions are on the same level as would be an annulment of a marriage after several children have been born to the couple.

In sum, there is reasonable ground for concluding that if government would follow a hands-off policy, stop the persistent and increasing intervention in the market processes, there would be little need to worry about mono-

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polistic tendencies. Left alone, a free market will discipline itself, provide corrective measures in the normal reactions of buyers and sellers. The proper function of government is to prevent intimidation and violence, to protect participants in the economic process from racketeers, mobsters, and thugs, not to take control away from the producers and consumers, the buyers and sellers.

Mistaken Views of Market Rivalry

The belief that unless the condition of competition is enforced by government the market structure will become monopolistic is not the only mistaken conception that is widely held. Frequently encountered is the notion that market rivalry is inherently bad, cruel, destructive. The history of the free market, it is pointed out, is littered with the wreckage of business firms — especially the "little fellows" — that have failed in the struggle for survival against their strong and ruthless rivals. This attitude is understandable; most of us have in our bones a bit of sympathy for the weak and inefficient. But calling for abatement of rivalry in the economic process is to argue against increasing output of economic goods and a higher standard of living.

Market rivalry is rugged, but it is not destructive when broadly considered. The pressure of rivalry is a major spur to efficiency, to improvement, in serving the consumer — the ultimate goal of all economic activity. True, there are likely to be losers in the competition for the customer's favor, but there is the offsetting factor that laggards are often greatly stimulated by the performance of the front runners. Examples of this abound in business experience. The management of a particular enterprise, indeed, often has reason to be thankful for the pressure toward improvement in methods and products required to meet competition.

The view that the free market is a chaotic and noncooperative activity may also be mentioned. Actually the truly free and keenly competitive market is a model of sensitive adaptation, automatically, to the ebb and flow of the attitudes, needs, and varying circumstances of the participants. It is anything but chaotic. And its intricate maze of relationships between producers and customers presents the most remarkable example of cooperation, without coercive direction or control, to be found in human affairs.

Consumerism — Harmful Products

Earlier in these comments I've stressed the importance of cus-

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tomer reaction on the market place as a factor in pressuring the producer, the seller, in the direction of serving the customer well, even in the extreme case of the absence of a condition of immediate or potential rivalry for the buyer's favor. And in line with this position I've expressed concern over the rising tide of intervention in the consumer's conduct, ostensibly in his behalf. This "consumerism" movement deserves some further attention, as it represents a serious threat to the maintenance of a competitive market structure, especially when it takes the form of a great expansion of governmental regulation and interference.

The very essence of a free economy, with effective markets, is the right of both buyers and sellers to make decisions, to choose courses of action. The degree to which this right is impaired, is restricted, measures the distance an economy has moved into the socialist morass. Socialism is nothing more nor less than a system under which the state makes the choices rather than the individual participants in the economic process, at both the producing and consuming levels. By the term "state" in this connection I have in mind government in all its manifestations – boards, bureaus, commissions, and so on – including cases where the ultimate power rests in a single despot, or a small coterie.

I reject outright the conception that the customer – including the ultimate consumer – is a boob, incapable of deciding what to do with his income or other available funds. True, many of us may make careless and unwise decisions at times. If, for example, a particular individual impulsively buys a silk shirt for himself when his children are badly in need of more milk the neighbors may regard this action unfavorably – and their critical attitude may be amply justified. But what is the alternative to letting the individual buyer assume responsibility? Is there good ground for expecting that a government board or other agency, with coercive power, will do better than the typical market participant? An arm of government is made up of human beings, very likely not superior in wisdom and foresight to the average member of the governed group – even if good intentions and lack of political motivation are assumed. Moreover, to come to a decision having substantial merit in the particular case the coercive agency must become familiar with the specific circumstances – and this takes time.

Both historical and current experience indicate plainly that the

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individual participant in the economic process can generally be assumed to be more fully acquainted with his economic needs and circumstances than an outside agency can be, even after thorough investigation. Moreover, the individual can act promptly before conditions are modified, whereas there is certain to be delay in reaching and implementing a determination by a governmental body. The case for substituting government decision-making for consumer sovereignty has no solid foundation.

There remains the question of how to deal with harmful products. As we all know, producers may cater to the desire of some individuals to consume dangerous drugs, for example, and may even undertake to stimulate the volume of demand for such drugs. In this connection I think it should be admitted that there is a role for the policeman in the economic process, even where the free market is dominant. But it is a strictly limited role. If it were possible for the adult alcoholic or the drug addict to go off in a corner and destroy himself at his own gait without trespassing on the rights of dependents or anyone else, I would personally be quite willing to see him take such action. But this is far from the actual case. Take a look, for example, at the frightful carnage on the highways that careful studies show to be attributable to drinking drivers. Here is a clear need for the intervention of some coercive power, and it is rather astonishing that so little is being done about this outrage.

On the other hand, I am very skeptical of the merit of much of the interference with the market by the Food and Drug Administration. Of course nearly every natural or manufactured product is toxic to somebody in some circumstances. I've known several people who couldn't tolerate strawberries but this would hardly warrant putting into effect a maze of regulations regarding the growing, marketing, and use of such berries. Rivalry among sellers and the reactions of customers are in general a better market regulator than any government agency.

Two Other Misunderstandings — Regarding Labor

To conclude these reflections I want to call attention to two other areas where lack of clear thinking is — unfortunately — widespread and damaging.

A serious misunderstanding is partly responsible for the development of monopolistic, noncompetitive conditions in the labor market. Human beings, so the story goes, should not be regarded as

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commodities, to be priced on the market place like sacks of potatoes. Instead, there must be established a structure of protection for workers composed of strong union organizations on the one hand (to implement collective bargaining, and with power to strike and shut down plants and entire enterprises), and government legislation and enforcement agencies on the other (to provide minimum wage laws, set safety standards, prevent collusion among employers, insure the rights of unions to call strikes and set up picket lines, and so on).

All those who don't approve of slavery will of course go along with the view that people are not marketable commodities, but it must be insisted that personal services of all kinds that are required in the productive process are economic goods, subject to demand and supply influences.

It may also be urged that an important underlying force in preventing worker exploitation is *rivalry among buyers for the service he is able to furnish.* Buyers of services are no less keen in their bidding for a particular kind of service than they are in bidding for a desired physical commodity. There is much evidence that this force still operates with substantial effect in labor markets, with respect to all grades and types of personal service, despite governmental interference and the coercions represented in prevailing union tactics. In saying this I'm not forgetting the case of the community with only one manufacturing plant and the need for worker mobility.

Another major misunderstanding, widespread in industry, is the notion that workers (people furnishing personal service, from the top brass to the men on the assembly line) and the capital furnishers (those providing the funds to endow the enterprise with the necessary plant facilities and other resources) have conflicting interests, are rivals in sharing the fruits of the economic process. Actually the welfare of the employees of a business is closely linked with and dependent upon that of the owners or other investors. Viewed broadly, as has often been pointed out, wage rates tend to vary with the supply of "tools" (capital facilities of all kinds) per man; in other words wages will be high where capital is plentiful and technology advanced, and relatively low where there is plenty of labor but equipment is primitive and limited. As a general truth this can hardly be challenged.

Put somewhat differently, this means that the workers (the personal service suppliers) should

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favor a climate fostering saving and capital accumulation, and hence a level of earning rates for those furnishing funds that will be attractive. The individual worker is in competition, in a sense, with his fellow workers, and thus may well be in favor of a low birth rate and restricted immigration, while at the same time supporting the view that capital should command as high a return as the forces of a free, competitive market will afford. The workers and the capital furnishers are not in contention, or opposition, but are joining hands, so to speak, to make the wheels of business turn rapidly and efficiently. This does not, of course, gainsay the fact that technological development and advance may cause inconvenience and need for retraining on the part of particular groups and classes of those supplying personal services. It also does not deny that the result for investors will vary from losses to occasional exceptional rewards for particular business entities in varying circumstances and intervals of time.

In my classes I was fond of illustrating this point by imagining that the president of a small company, sitting in his office one morning, hears a timid knock on his door. The caller is one of the lowest ranking employees in the factory, and he stands hesitatingly in the doorway, twirling his cap in embarrassment. "Come in, Joe," said the president heartily, "What can I do for you?" Joe was still nervous but finally came out with it. "Sir, I saw in the paper last night that our directors have decided to cut the quarterly dividend to the stockholders, and it worried me. Are you sure, sir, that this is necessary? Are we doing all we can for our investors?" Without letting my imagination carry me further, I might note that probably the president of any company would be so startled by such an experience that he would be in danger of a heart attack. But I submit that Joe was on the right track, and behaving in a rational manner, in accordance with the basic self-interest of a worker out in the company plant.

IDEAS ON LIBERTY

Reflections on the Revolution in France

THEY have found their punishment in their success. Laws overturned; tribunals subverted; industry without vigor; commerce expiring; the revenue unpaid; yet the people impoverished.

EDMUND BURKE

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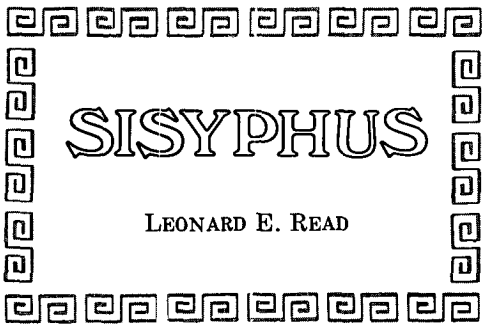

SISYPHUS in Greek mythology was condemned, as a punishment for his wickedness in this life, to roll a stone from the bottom to the top of a hill. Whenever the stone reached the top it rolled down again. Thus, his task was never-ending.

The wickedness of Sisyphus was not a case of politico-economic intrigue. But Frederic Bastiat, the eminent French economist, philosopher, and statesman of well over a century ago, dubbed all people *sisyphists* who, by restrictive measures, tend to make the tasks of life unending.

Let us peek into the nature and extent of present-day *sisyphists* if only to create a desire among ourselves to reread some of the works of the great Bastiat and again to profit by his clarity of thought and simplicity of expression.[1] His fascinating parables could hardly have been more appropriate in his time than in ours.

The progress of human beings from a state of general impoverishment toward one of relative abundance is impeded by a series of *obstacles*. People who really serve society contribute to the overcoming of these obstacles, thereby creating abundance. Is it not precisely this kind of service whereby we may judge whether a business or a labor union or a government policy or official is social or antisocial?

People who perpetuate obstacles in order to maintain conditions of scarcity in their own line of pro-

[1] See especially *The Law*, *Economic Sophisms*, *Economic Harmonies* and *Selected Essays on Political Economy* by Frederic Bastiat (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, Inc.).

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duction, thus keeping their efforts profitable at the expense of others, and who make the task of achieving abundance an endless one are, in Bastiat's estimation, *sisyphists.*

"There isn't work enough in our line for all you fellows wanting in. Keep out! By closed shops, closed unions, and closed associations we can create prosperity for ourselves and make our tasks in these enterprises unending." Selfish *sisyphists!*

"Slow down on this job, fellows, and take more vacations, so our work will last longer." Lazy *sisyphists!*

"Competition is ruining our business. Let's put a stop to it and keep prices up by embargoes and trade barriers. If these don't work we have political power enough to get legislation that will impose discriminatory taxes on our competitors. And failing this we can always command a government subsidy for ourselves." Power-crazed *sisyphists!*

"Let's have Federal aid for projects to which we are unwilling to devote our own resources." Wasteful *sisyphists!*

"Let us have national unemployment compensation so, even if we do no work, we can get paid anyway." Money-mad *sisyphists!*

"Let us have wage, price, production, and exchange controls – eliminate market pricing as a guide to production and consumption – so that all may labor forever at posts assigned by government." Slavish *sisyphists!*

Enough of this. Each of us should make it his game to spot these persons who would magnify the effort required for a given result. They are to be found everywhere – on the farms, in pulpits and classrooms, in labor unions, in private offices, in governments and, alas, too often in the mirror. They are the friends of scarcity and the enemies of abundance. Antisocial *sisyphists!*

Let's make *sisyphism* a part of our mythology instead of our national policy!

IDEAS ON LIBERTY

To Each, His Own

MY FAITH in the proposition that each man should do precisely as he pleases with all which is exclusively his own lies at the foundation of the sense of justice there is in me. I extend the principle to communities of men as well as to individuals. I so extend it because it is politically wise, as well as naturally just: politically wise in saving us from broils about matters which do not concern us.

ABRAHAM LINCOLN
Speech at Peoria, Ill., Oct. 16, 1854

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The Reformation and Economic Development Today

EDWARD COLESON

In 1943 Bengal and Calcutta suffered another ghastly famine, just as they have for millennia. One report stated: "All over the province rice was dear and life was cheap."[1] The starving collapsed and died in the streets, while the bloated dogs feasted on their corpses and dragged their bones about the city. Certainly the age-old problem of too many people and too little food was aggravated by the fact that there "was a war on" just beyond their borders in Burma, the Japanese invasion of Southeast Asia. However, the chronic problem of human need in India which had become acute in this hour of crisis provided a startling contrast with another nation also on the doorstep of war, Switzerland, that oasis of peace and prosperity in the midst of a devastated and impoverished Europe. It is customary to imagine that India must have many times more people per unit of area than almost any other country on earth but, according to the 1946 edition of Goode's *Atlas*, Switzerland in that year had about 268 people per square mile and India a mere 215.[2]

An even more startling contrast grows out of a comparison between West Germany and India over the last quarter century. By May of 1945 Germany had been utterly defeated in a total war – "unconditional surrender" – and her cities were deserts of ashes and rubble. Germany was no doubt poorer than India in the

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Dr. Coleson is Professor of Social Science at Spring Arbor College in Michigan. This article is reprinted by permission from the Spring 1972 volume of *Fides et Historia*, journal of The Conference on Faith and History, and copyright by them.

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spring of 1945 and had twice the population density, 433 per square mile. Yet the Germans rather quickly recovered – the startling "Economic Miracle" – and India has remained poor. Unless one insists that "East is East and West is West" and hency no comparisons or explanations are possible, he is haunted by the question why some starve and others prosper, or at least survive, in the midst of adversity.

Conquering Starvation — A Recent Accomplishment

Actually, the startling difference in living standards between the "haves" and "have-nots" is a rather recent phenomenon. Europe once had its famines, and bad ones too. According to one authority, the British Isles had 201 famines between A. D. 10 and 1846.[3] A recent writer has even suggested that in certain French parishes which he studied in detail, the death rate was proportional to the price of grain back nearly three centuries ago.[4] Yet, there have been no great famines in the West since the Irish Potato Famine except in Russia in the 1920's and 30's and during the wars. Even in the midst of the Great Depression the "Arkies" and the "Okies" did not leave a trail of bones from the "Dust Bowl" to California as might have happened in some parts of the world even today.

Still, the tide has turned in the favor of the Western World quite recently. In 1770 a bushel of wheat cost a British laborer the equivalent of five days' pay.[5] It came as a surprise to me to learn in West Africa a few years ago that a bushel of rice cost the natives about a week's wages. They were still at the stage my ancestors were two centuries ago. The Africans also have a "hungry season," that time of short rations after the seed is planted and before the new crop is ready for harvest. When the Psalmist speaks of the sower going forth weeping, "bearing precious seed" (*Psalms* 126:6), it is so much rhetoric to us, but still harsh reality to multiplied millions around the earth; these people are quite literally planting what they need for supper. For some reason, the economies of the West have been able, at least temporarily, to supply the masses with an unbelievably high standard of living as compared with the rest of the world and our own ancestors too. One of the most urgent tasks today is to try to understand why this has happened and whether prosperity can be exported to the "have-nots" around the world. This needs to be done for humanitarian reasons as well as for self-protection.

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The Weber Thesis of Western Development

Among the theories which have been suggested to explain the recent good fortune of Western man, probably none has attained the popularity of the so-called "Weber thesis." As everyone knows, Weber considered Western progress to be a sort of economic by-product of the Reformation, particularly the teachings of John Calvin. While I have been deeply interested in this problem for a long time, perhaps in part as a result of having lived in a bush village in a daub-and-wattle house with a thatched roof, surrounded by abject poverty, and also in part as a result of having done an economic development study for my doctorate, I must confess that part of the Weber controversy annoys me.

While I have read a considerable amount on both sides of the question, I must admit that I do not care if Weber dotted all his "i's" and crossed all his "t's" correctly or not. Nor am I concerned if it can be proven that Roman Catholics also exhibited those economic virtues and followed those policies which are supposed to be uniquely Calvinist. I am not even deeply disturbed if some unkind writer suggests that the Reformers became popular preachers because they told the people to do what they had been doing and would continue to do, with or without ecclesiastical sanction. I am deeply concerned with keeping our facts straight, to the extent that we are able, because I do feel that history has real value as a guide in decision-making today. I have felt, however, that the investment in the Weber controversy has passed the point of diminishing returns, as the economist would say, some while ago.

The Conditions of Progress

The need is to proceed to the larger question of what conditions are necessary for prosperity and what, if anything, religion has to contribute toward making progress possible. While there has been a strong reaction against Western materialism, if one takes the loud protests of the recent past at all seriously, still there is value in studying how to promote prosperity – if eating is better than going hungry. The fact that Americans in their blindness and greed have overdone a "good thing" too often, does not prove that the opposite extreme is any better. Furthermore, it seems to me that the Reformers could provide wisdom that would help Christians regain a sane point of view in the midst of affluence and global need, if they will but listen.

Those who have visited the backward areas, where beggars

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pursue the tourist relentlessly and where multitudes are perpetually on the verge of starvation, quickly learn that things are quite different from the way they are back home. One of the most obvious differences is the attitude toward work. This is more than natural laziness or the apathy that comes from malnutrition and a superabundance of body parasites. The aversion to work is deeply ingrained in the native culture and is most difficult to dislodge. Consequently, modern attempts at economic development often intensify problems. For instance, an educational report of the British Colonial Office a few years ago quoted an "enlightened" chief as saying: "If universal primary education were introduced at once, Sierra Leone would be dead in a year – we would starve."[6] Even a modicum of book learning takes the recipient thereof out of the laboring class without qualifying him for any type of professional work.

Closely related to the antipathy toward work which is tied to status is the familiar guild or union pressure on workmen to do less than their best. Weber mentions this as the principal cause of the persecution of Methodist laborers a couple of centuries ago.[7] One can concede that employers have driven their workers shamefully when they had them at their mercy without condoning peer pressure for inefficiency, evidently common then and now.

Slow Accumulation of Tools

Anyone familiar with the history of the Industrial Revolution knows the long and seemingly hopeless struggle to perfect better tools in the face of bitter worker opposition. Evidently the Western nations came quite close to remaining in their poverty and wretchedness even as large numbers in the backward areas still are today. When I view the hungry multitudes across the world today, do I say that "but for the grace of God, there go I"? Needless to say, the "have-nots" could use some of the Western attitude toward work, whether it is Calvinist, Catholic or cultural in origin. Of course, the Japanese have a "work ethic" of considerable antiquity, a point Kurt Samuelson makes good use of in his "Critique of Max Weber."[8] Needless to say, this must be without benefit of Calvin.

It is hard for us, coming from the West, to understand how completely "backwardness" is built into some native cultures. J. S. Fenton, an authority on Sierra Leone native law, wrote several years ago how the enterprising individual was repressed and ev-

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eryone was kept at the same dead level of grinding poverty. Said Fenton:

> The enterprise and success of a person causes him to be envied and it is whispered that he must have "boa medicine," the "medicine" of success, but also a medicine which can injure his neighbors. A noise . . . is heard from time to time, and perhaps one or two children die. The prospering man is then informed against as possessing boa medicine. . . . Once he has been called a boa-man he might as well leave the chiefdom. . . .[9]

It is interesting to note in this connection that Andrei Amalrik, who questions whether the Soviet Union will survive until 1984, remarks that the Russion peasant wants no one living better than he does although "the fact that many live worse is willingly accepted."[10] Whatever the problem of the Russians, the West Africans have another deterrent to capital accumulation: if an enterprising farmer grows an extra bushel of rice to tide his family over the "hungry season," his relatives will all move in on him when their meager stock of food is depleted. After a few days of feasting, they can then go hungry together. Little wonder that those who hope to accomplish something frequently "get lost" and start over so far from home that their relatives cannot find them. Needless to say, the "haves" frequently do no better than the "have-nots," once they manage to accumulate a fortune. They usually "consume it upon their own lusts" or hide it in a secret account in a Swiss bank. In the meantime, their nation is starved for capital. In view of the instability of their countries, the urge to live it up—"to eat and drink for tomorrow we die"—or "squirrel it away" in some country they hope they can trust, is understandable but regrettable. It certainly does not make for progress at home. Obviously, what has been called the "Protestant Ethic" would be a great asset to these people.

The Case of Country X

Take some backward country, on the doorstep of the U.S. or halfway around the world, and see what could be done to promote prosperity. Nation X is incredibly poor. It may be a "beggar sitting on a bench of gold" or just a beggar squatting in the dust; the resource base, while helpful, seems not to insure prosperity. Switzerland has little and has done well; many other countries seem to have great potential, but remain poor and backward. In country X the average annual income is less than a hundred dollars – not a hundred a week but for a full year. The

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people are poor beyond our imagination, they are malnourished, and their health services are exceedingly meager. The country has stagnated and will no doubt continue to remain so.

Now, suppose some great prophet should arise and capture the hearts and loyalties of the people. Suppose in addition to getting them to repent of their sins and live a life of moral rectitude, that he should convince them that they should do a good day's work, whether anyone was watching or not (because, of course, God sees everywhere and He will not excuse the slothful worker). Suppose men of means within the country began to feel responsible for the proper use of their material blessings (Christian stewardship) and began investing wisely and well in business ventures at home rather than squandering their money or exporting their wealth to places that do not really need it. Suppose the government became more stable, and honest too, so men could begin to count on tomorrow and even decades hence.

A Climate of Growth

Now, if I had a million dollars, I would go and invest it in X as would a host of others. If the foreign investors were Christian or even had good sense, they would try to do the right thing by the people, knowing that while one can get by with exploitation in the short run, that in the long run the policy is self-defeating. Also if Americans just happened to want to do something to help them and themselves, they might let their bargain goods into the U.S. and sell them machine tools. With such a combination – a diligent and honest people, a responsible business community and government, a ready foreign market close at hand and abundant capital – progress would be explosive, another economic miracle.

Actually, of course, X is not like this and, barring a miracle of grace, it will not become so. The mass of the people are lazy thieves, the government is run by a bunch of thugs and whatever business exists there is out to "get" everyone else before others get them. Weber was right: capitalists did not invent greed, but tamed this destructive impulse.[11] No foreigner in his right mind would invest there because the government would nationalize his business as soon as it became profitable.

It is a tragedy that international investment has become such a problem in the modern era. A recent writer, much frustrated with the poverty and malnutrition so prevalent over too much of the

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earth today, complained that the wealthy nations were only investing $6 billion a year in the development of their poor neighbors while they should be putting in at least $15 billion.[12] According to Richard Nixon, writing more than a dozen years ago, the United States would have invested $30 billion abroad in 1958 instead of the trifling $4 billion we did lend, if we had been investing at the rate proportionately that the British did in 1910.[13] As long as the British invested wisely, this was a revolving fund that could continue over the years. Think what a similar American program could do today to hasten economic development across the earth and create jobs at home too.

Back to the Moral Problem

Unfortunately, there are few decent places in the world to invest anymore—which brings us right back to the moral question again. If we could just get the man straightened out—his morals, his thinking and his institutions—progress would be possible. Piety is no substitute for technology, but we can handle the engineering details today if the moral conditions are favorable. This has always been an important factor. It is well to remember that Calvin and the reformers were not promoting economic development schemes. They sought first the Kingdom, and the economic fringe benefits were added unto them.

Perhaps the most hotly debated subject in Christian circles today in this country is whether capitalism or the welfare state is the embodiment of virtue, the ethical and moral system. The controversy has produced a sizable and growing literature. It is interesting to note in this connection that some writers trace Christian socialism,[14] not capitalism, back to John Calvin, which alters the Weber thesis considerably. Of course, Calvin is accused of promoting both democracy and totalitarianism also.[15] Perhaps he did not consciously promote any of these systems.

With all due respect to Calvin, a more important question is what the Bible teaches. It seems to me that the Word of God does not specifically endorse any human system or give a "blueprint" for any political arrangement, but it does lay down fundamental principles by which men and nations will be judged. These God-given principles necessarily have far-reaching social, political, and economic implications. But with Emil Brunner I would insist that all we can hope for is the "best makeshift" by which we may attempt to approximate the Christian ideal.[16]

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Let us explore one of these "makeshifts." An Austrian writer who classifies himself as a socialist, Karl Polanyi, praises the nineteenth century with its "Hundred Years' Peace" in Europe (1815-1914).[17] He then tells us that the civilization of that era was based on the balance of power, the gold standard, the market economy, and limited government. After telling us that these arrangements produced a century of peace, "a phenomenon unheard of in the annals of Western civilization" and also "an unheard of material welfare," he concludes that the "self-adjusting market . . . would have physically destroyed man and transformed his surroundings into a wilderness."

It is unfortunate that a "makeshift" so attractive in the short run should have such dire long-range consequences. Perhaps a second look is needed. Obviously, Polanyi is describing anarchy, a system without rational or moral checks on human excesses – not Calvin or even Adam Smith, but Darwin and the "survival of the fittest." It is possible to assume that accounting is epistemology (what is profitable is good), but the Reformers did not hold this view nor did the founders of economics. In 1765 Blackstone wrote that the laws of men should conform to that Higher Law, "dictated by God Himself;"[18] and in 1776 Adam Smith concluded that just as long as a man "does not violate the laws of justice, [he] is left perfectly free to pursue his own interest in his own way...."[19] This means, for example, that I have a God-given right to grow all the wheat, corn and cows I can on my farm but not poppies for opium.

Mistaken Practices

I would not care to try to defend the American Farm Program of the last generation before the Judge of all the earth. Would you? L. Dudley Stamp, a distinguished British land-use expert who delivered a series of lectures at Indiana University several years ago, chided Americans on their low agricultural productivity and suggested that the world could support ten billion people or about three times the present total, if we just did as well as we now know.[20] Another Englishman, Colin Clark, places the capacity of the earth at twenty-eight billion, assuming present technology and the efficiency of the people of the Netherlands.[21] If everyone did half as well as the Dutch or even a quarter, it should be possible to feed earth's peoples and still stabilize populations short of disaster. Of course, both are assuming full production and open mar-

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kets, a policy quite familiar to the Victorians but well-nigh forgotten today.

While I would not care to attempt to defend all the old capitalists did either, they did a few things right, as the following quotation from the *Spectator*, published in 1882, suggests:

> Britain as a whole was never more tranquil and happy. No class is at war with society or the government; there is no disaffection anywhere, the Treasury is fairly full, the accumulations of capital are vast.[22]

Just as an interesting experiment, substitute "today" and "the U.S.A." for "1882" and "Britain" in the above quotation. Perhaps the capitalist "makeshift" was not so bad after all.

• FOOTNOTES •

1 John Frederick Muehl, "Famine Is Like This," *Reader's Digest* (April, 1946), pp. 19-21.

2 J. Paul Goode, *School Atlas* (Chicago: Rand McNally, 1946), p. 175.

3 Warren S. Thompson, *Population Problems* (New York: McGraw-Hill, 1942), p. 51.

4 E. A. Wrigley, *Population and History* (New York: McGraw-Hill, 1969), p. 66.

5 John Chamberlain, *The Roots of Capitalism* (Princeton: D. Van Nostrand Company, 1959), p. 123.

6 *African Education: A Study of Educational Policy and Practice in British Tropical Africa, the Nuffield Foundation and the Colonial Office* (Oxford: Oxford University Press, 1953), p. 24.

7 Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, trans. Talcott Parsons (New York: Scribner's, 1958), p. 63.

8 Kurt Samuelson, *Religion and Economic Action* (New York: Harper and Row, 1961), p. vii.

9 J. S. Fenton, *Outline of Sierra Leone Native Law* (Freetown: Government Printer, 1933), p. 17.

10 Andrei Amalrik, *Will the Soviet Union Survive Until 1984?* (New York: Harper and Row, 1971), p. 81.

11 Weber, pp. 17, 56-57.

12 José de Castro, *The Black Book of Hunger* (Boston: Beacon Press, 1967), p. 49.

13 Richard M. Nixon, *The Challenges We Face* (New York: McGraw-Hill, 1960), p. 73.

14 Robert W. Green, ed., *Protestantism and Capitalism* (Boston: D. C. Heath, 1959), pp. 26, 44.

15 Robert M. Kingdon and Robert D. Linder, eds., *Calvin and Calvinism: Sources of Democracy?* (Lexington, Mass.: D. C. Heath, 1970), pp. 1-15.

16 Emil Brunner, *Christianity and Civilization* (London: Nisbet and Company, 1949), II, 95.

17 Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1944), pp. 3-5.

18 William Blackstone, *Commentaries on the Laws of England* (Philadelphia: Rees Welsh and Company, Lewis' edition, 1902), I, 31.

19 Adam Smith, *The Wealth of Nations* (Modern Library Edition), p. 651.

20 L. Dudley Stamp, *Land for Tomorrow* (Bloomington: Indiana University Press, 1952), pp. 214-219.

21 Arthur McCormack, ed., *Christian Responsibility and World Poverty* (London: Burns and Oats, 1963), p. 135.

22 Albert H. Hobbs, "Welfarism and Orwell's Reversal," *Intercollegiate Review* (Spring, 1970), p. 107.

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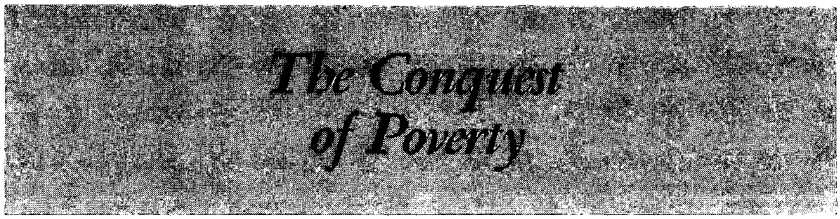

The message of Henry Hazlitt's *The Conquest of Poverty* (Arlington House, $8.95) is that his subject could have been dealt with in the past tense if it weren't for the pernicious doctrine that "the State knows best." Alas! the tendency to hand problems of income "distribution" over to politicians whose only real skill is the accumulation of votes has prevented the West from utilizing the great productive strength that is to be found in the principle of voluntary association. So the "cure" for poverty is still in the future.

Just how far are we from getting "government" off our backs? Mr. Hazlitt is not a total pessimist; he believes in the power of "education." Mere verbal demonstration, however, is not an infallible schoolteacher; the collaboration of events is needed to make "education" effective. Fortunately, events are coming to Mr. Hazlitt's aid; what he was saying twenty years ago about the fallacies of Statism is becoming hindsight as it is repeated by other and less prescient men who now stand appalled at what inflation, a government-created phenomenon, is doing to compound our troubles.

Since poverty is a relative thing (some people are always going to be poorer than others), Mr. Hazlitt has had his difficulties with the conventional definitions. Value judgments are involved. It is wrong to define poverty, as one "authority" does, as the condition affecting "any family with an income less than one-half that of the median family." If such a definition were to be accepted it would mean that the percentage of "the poor" would never decrease until all incomes were equalized. The bottom "fourth" of a nation might be sufficiently fed

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to remain healthy and still be candidates for soaring relief if any such definition were to be perpetuated. What Mr. Hazlitt proposes is that the "subsistence level" must provide our working definition of the poverty line. Any attempt to provide relief for able-bodied adults beyond subsistence must take money away from production and so render society poorer on the whole.

Capitalism, in league with technological ingenuity, is what delivered the "West" from the spectre of Malthusian doom. Before the industrial revolution, soaring populations pressed inexorably on the means of subsistence. But when the Manchester factories in England began to soak up the idled poor from the countryside and make the importation of cheap wheat a possibility, Malthus was discredited as a prophet for his own Britain. As things turned out, the ingenuity that capitalism unleashed was reflected in the birth statistics: "middle class" people who did not need big families in order to provide themselves with field hands found ways of limiting their children. The combination of smaller families and a more skillful application of science to agriculture itself ended the problem of famine in the "West." We were on our way toward limiting poverty to the chronically incapacitated without saddling the productive system with high taxes and the inefficiency that always follows from government interference or takeover.

Combing through the records of antiquity, Mr. Hazlitt notes what "the New Deal in Old Rome" did to enervate our first great universal empire. Between State-supported slavery, high taxes, the multiplying relief of "bread and circuses," and the final imposition of price controls, Roman productive efficiency simply vanished. In Britain, there was a saving realism about the original application of the "poor laws." But in 1795 the Berkshire magistrates, meeting at Speenhamland, decided to supplement wages in accordance with the price of bread. This placed everybody in the countryside on a "guaranteed minimum." The rise in the cost of relief was geometric. In order to put people back to work and unleash the industrial revolution Britain had to amend the poor law in 1834. Pity for the pauper had to be reconciled with pity for the laborer, the investor and the tax-payer, as Nassau Senior pointed out. So England came to accept the workhouse, a place that would guarantee a pauper enough to live on without making idleness sufficiently attractive to undermine such desirable characteristics as

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frugality, industry and ambition.

The rise of affluence, however, dulled the common sense of the British people, and the Speenhamland mentality returned as the sentimentalists, following the recommendations of the radicals (Beatrice Webb, Prime Minister David Lloyd George), were seduced into accepting the idea of the Welfare State. With the Beveridge Plan (cradle to grave protection), the "difficult problem" raised by Nassau Senior in 1834 posed its dilemma all over again. How, under State Welfarism, can one "afford to the poorer classes adequate relief without material injury to their diligence or their providence."

Mr. Hazlitt rather doubts that the problem can ever be resolved to everybody's satisfaction. He recognizes that it would be "politically impossible" to get the State totally out of the welfare business. But he sees some hope in the educative value of events. Back in the late Forties and early Fifties Mr. Hazlitt warned that if Washington were to extend extravagant relief to other nations in the form of Marshall Plan and "Point Four" give-aways, it would not "save the world." Government-to-government loans, he said at the time, would be squandered by political bureaucracies, and capital for free productive enterprise would thereby be diminished. Mr. Hazlitt was considered hard-hearted by the "liberals" of the Fifties and Sixties, but common sense is now coming to his support. The dollars that we have given away for international relief now haunt us as the balance-of-payments statistics turn against us.

Similarly, the inflation that has been caused by "welfare gone wild" is provoking the middle classes, including the blacks who have risen in the world, to cast a cold eye on unbalanced budgets and extravagant programs for such things as urban renewal and various make-work projects. It may take the final "inflation crisis" to bring us to our senses. But Mr. Hazlitt, after waiting some twenty years, may find that it is at last possible to teach people "economics in one lesson," to quote from his best-selling book of that title.

The real solution to the problem of poverty does not lie in any government relief system, or in any endeavor to "redistribute" wealth or income. It lies, says Mr. Hazlitt, in increased production. One increases production by making investments in more efficient tools. The free-swinging enterpriser, using capitalist savings, is the true hero of the "war on poverty."

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How long will it be before our "intellectuals" begin to see through fallacies that are as old as the economics of the Emperor Diocletian? I would feel better about the prospects if such books as *The Conquest of Poverty* were to be reviewed on the front page of the New York *Times* Sunday book section. This is not likely to happen tomorrow. But "events" will continue to call the turn. What Mr. Hazlitt has to say about the need to free the producing interests of a nation is bound to take hold as our inflationary crisis deepens.

The politicos are already trying to limit upward revisions of the minimum wage by making special exceptions for job-seeking adolescents. Common sense does break through. And even some of the big unions, the steel union, for example, are now doubting the effectiveness of wage increases that run beyond productivity. If the unions ever get the idea, can the "intellectuals" remain far behind? Mr. Hazlitt may yet become a prophet with honor in his own country.

▶ THE FOUNDATIONS OF MORALITY, 2nd ed. (Los Angeles: Nash Publishing, 1972), 398 pp., $12.00.

Reviewer: Bettina Bien Greaves

THE MANY contradictions among different philosophical theories have caused much confusion over the years. Unfortunately, too few teachers and textbooks explain the basic principles that could help students discriminate intelligently among them and understand the ethical code which fosters freedom, morality and social cooperation. Thus, Henry Hazlitt deserves special credit for bringing logic and clarity to the subject. His book, *The Foundations of Morality,* was first published in 1964. After having been out of print for several years, it is again available thanks to Nash and the Institute for Humane Studies.

The author is primarily an economist, a student of human action. As a result, he is a strong advocate of individual freedom and responsibility. He has long been a close personal friend and associate of Professor Ludwig von Mises, the "dean" of free market economics, to whom he acknowledges a great intellectual indebtedness. With this background, he is well qualified to discuss the ethics of social cooperation. His many years of "apprenticeship" as essayist,

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book reviewer and columnist (*New York Times, Wall Street Journal, Newsweek, The Freeman, National Review* and many others) prepared him well for explaining complex matters simply. The reader may wish to pause, ponder and reflect from time to time on the ideas and concepts presented, but the author's reasoning is clear, his prose unambiguous and most chapters delightfully short.

Mr. Hazlitt's position is that "the interests of the individual and the interests of society," when "rightly understood" are in harmony, not conflict. His goal in writing this book was "to present a 'unified theory' of law, morals and manners" which could be logically explained and defended in the light of modern economics and the principles of jurisprudence. This reviewer believes most readers will agree that Mr. Hazlitt succeeded. He has marshalled the ideas of many philosophers and analyzed them with careful logic. He has explained many of the contradictions among them, thus disposing of much confusion. He has formulated a consistent moral philosophy based on an understanding of the ethical principles, so frequently ignored in today's "permissive" climate, which promote peaceful social cooperation and free enterprise production.

Mr. Hazlitt points out that our complex market economy requires peaceful and voluntary social cooperation. The preservation of the market is essential for large scale production and thus for the very survival of most of us. Therefore, social cooperation is the very most important *means* available to individuals for attaining their various personal ends. This means that social cooperation is also at the same time a well worthwhile *goal*. Let Mr. Hazlitt speak for himself.

> For each of us social cooperation is of course not the ultimate end but a means. . . . But it is a means so central, so universal, so indispensable to the realization of practically all our other ends, that there is little harm in regarding it as an end-in-itself, and even in treating it as if it were *the* goal of ethics. In fact, precisely because none of us knows *exactly* what would give most satisfaction or happiness to others, the best test of our actions or rules of action is the extent to which they promote a social cooperation that best enables each of us to pursue *his own* ends.
>
> Without social cooperation modern man could not achieve the barest fraction of the ends and satisfactions that he has achieved with it. The very subsistence of the immense majority of us depends upon it.

The system of philosophy outlined in the book is a form of utilitarianism, "insofar as it holds that actions or rules of action are

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to be judged by their consequences and their tendency to promote human happiness." However, Mr. Hazlitt prefers a shorter term, "utilism," or perhaps "rule utilism" to stress the importance of adhering consistently to *general* rules. He suggests also two other possible names – "mutualism" or "cooperatism" – which he thinks more adequately reflect the central role of social cooperation in the ethical system described.

The criterion for judging the consistency or inconsistency of a specific rule or action with this ethical system is always whether or not it promotes social cooperation. Mr. Hazlitt reasons from the thesis that social cooperation is of benefit to everyone. Even those who might at times like to lie, cheat, rob or kill for personal short-run gain can usually be persuaded of the longer-run advantages of social cooperation, i.e., of refraining from lying, cheating, robbing or stealing.

> Even the most self-centered individual, in fact, needing not only to be protected against the aggression of others, but wanting the active cooperation of others, finds it to his interest to defend and uphold a set of moral (as well as legal) rules that forbid breaking promises, cheating, stealing, assault, and murder, and in addition a set of moral rules that enjoin cooperation, helpfulness, and kindness. . . .

The predominant moral code in a society is compared with language or "common law." Society does not impose a moral code on the individual. It is a set of rules, hammered out bit by bit over many centuries:

> [O]ur moral rules are continuously framed and modified. They are not framed by some abstract and disembodied collectivity called "society" and then imposed on an "individual" who is in some way separate from society. We impose them (by praise and censure, approbation and disapprobation, promise and warning, reward and punishment) on each other, and most of us consciously or unconsciously accept them for ourselves. . . .
>
> This moral code grew up spontaneously, like language, religion, manners, law. It is the product of the experience of immemorial generations, of the interrelations of millions of people and the interplay of millions of minds. The morality of common sense is a sort of common law, with an indefinitely wider jurisdiction than ordinary common law, and based on a practically infinite number of particular cases. . . . [T]he traditional moral rules . . . crystallize the experience and moral wisdom of the race.

But what about religion, you say? Doesn't a moral code have to rest on a religious basis? The fundamental thesis of this book,

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as noted, is that reason and logic are sufficient to explain and defend the code of ethics which fosters and preserves social cooperation. Yet, the author does not ignore religion. He calls attention to similarities among the world's great religions and the contradictions in some of them. Religion and morality reinforce one another very often, he says, although not always and not necessarily. Here is his description of their relationship:

> In human history religion and morality are like two streams that sometimes run parallel, sometimes merge, sometimes separate, sometimes seem independent and sometimes interdependent. But morality is older than any living religion and probably older than all religion. . . . [W]hile religious faith is not indispensable [to the moral code] . . . , it must be recognized in the present state of civilization as a powerful force in securing the observance that exists. . . .
>
> The most powerful religious belief supporting morality, however, seems to me . . . the belief in a God who sees and knows our every action, our every impulse and our every thought, who judges us with exact justice, and who, whether or not He rewards us for our good deeds and punishes us for our evil ones, approves of our good deeds and disapproves of our evil ones. . . .
>
> Yet it is not the function of the moral philosopher, as such, to proclaim the truth of this religious faith or to try to maintain it. His function is, rather, to insist on the rational basis of all morality, to point out that it does not need any supernatural assumptions, and to show that the rules of morality are or ought to be those rules of conduct that tend most to increase human cooperation, happiness and well-being in this our present life.

Mr. Hazlitt discusses many perplexing ideas and concepts such as natural rights, natural law, justice, selfishness, altruism, right, wrong, truth, honesty, duty, moral obligation, free will vs. determinism, politeness, "white lies." Anyone who has speculated on these problems without reaching satisfactory conclusions, as has this reviewer, will no doubt find his analyses and comments both stimulating and enlightening.

The book contains numerous quotations from the works of early and recent philosophers, which the author always analyzes for their consistency with social cooperation. Except for a few technical philosophical terms – such as *tautology* (repetition of the same idea in different words), *eudaemonism* (the doctrine that happiness is the final goal of all human action) and *teleotic* (an adjective derived from the Greek meaning end, design, purpose or final cause) – readers should not

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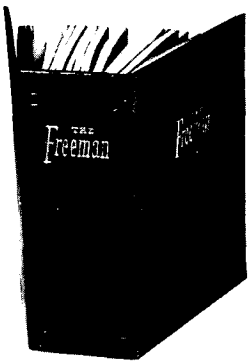
find anything in the book really difficult to understand. As they follow the author's line of thought, they will discover that reason and logic come to the defense of morality; order and a common sense ethical code evolve from philosophical chaos.

Mr. Hazlitt has long been a noted free market economist—one of the very best. His introductory *Economics In One Lesson* is a long-time best seller. *The Failure of the "New Economics,"* a careful critique of Keynes, is a real contribution to economic theory. With the publication of *The Foundations of Morality* in 1964, he added another very important feather to his cap as a moral philosopher. It is good to have it in print again.

To summarize, the author explains again and again, in the course of the book under review, that the rules of ethics are neither arbitrary nor illogical. They are not mere matters of opinion. They are workable, acceptable, moral rules developed over long periods of time. They must be adhered to consistently and may not be willfully violated without detriment to social cooperation. In this age of permissiveness, when everyone is encouraged "to do his own thing" and few see any urgency in respecting the rights of others, it is a rare philosopher who recognizes that the consistent adherence to a set of ethical rules promotes social cooperation and benefits everyone in society. Perhaps a free market economist, whose very field of study encompasses the role of social cooperation, is the most appropriate person to explain the logic of this position. This book should live through the centuries.



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